

Minutes

Meeting of Council
Tuesday, 21 September 2021

Held via Video Conference
(Zoom)

Commenced at 6:00pm

Council:

Cr Libby Stapleton (Mayor)
Cr Gary Allen
Cr Paul Barker
Cr Mike Bodsworth
Cr Kate Gazzard
Cr Rose Hodge
Cr Liz Pattison
Cr Adrian Schonfelder
Cr Heather Wellington

MINUTES FOR THE MEETING OF SURF COAST SHIRE COUNCIL
HELD VIA VIDEO CONFERENCE (ZOOM)
ON TUESDAY 21 SEPTEMBER 2021 AT 6:00PM

PRESENT:

Cr Libby Stapleton (Mayor)
Cr Gary Allen
Cr Paul Barker
Cr Mike Bodsworth
Cr Rose Hodge
Cr Adrian Schonfelder
Cr Heather Wellington

In Attendance:

Chief Executive Officer – Robyn Seymour
Acting General Manager Governance & Infrastructure – John Bertoldi
Acting General Manager Culture & Community – Jill Moodie
General Manager Environment & Development – Ransce Salan
Manager Finance – Gabrielle Spiller
Governance Coordinator – Liberty Nash
Governance Statutory Compliance & Reporting Officer – Zoe Eastick
Governance Officer – Julie Morales

OPENING:

Cr Libby Stapleton opened the meeting.

The Surf Coast Shire local government area spans the traditional lands of the Wadawurrung People and the Gadubanud and Guilijan People of the Eastern Maar. The main Council offices in Torquay are on Wadawurrung Country, and I am coming to you tonight from Aireys Inlet which is traditionally known as Mangowak. The Wadawurrung people have nurtured and protected these lands and waterways for thousands of generations – and I'm so grateful that we can be here today living and working in such a beautiful part of the world. Being an online meeting tonight, we also to wish acknowledge the Traditional Owners of the lands on which each person is attending, acknowledge any Aboriginal people who may be viewing the meeting tonight, and pay respect to Elders past, present and future.

PLEDGE:

Cr Adrian Schonfelder recited the pledge on behalf of all Councillors.

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:

Apology

Council Resolution

MOVED Cr Heather Wellington, Seconded Cr Rose Hodge

That an apology be received from Cr Liz Pattison and Cr Kate Gazzard.

CARRIED 7:0

Voting

Voted on as follows:

<u>For</u>	<u>Against</u>	<u>Abstained</u>
Cr Gary Allen	Nil	Nil
Cr Paul Barker		
Cr Mike Bodsworth		
Cr Rose Hodge		
Cr Adrian Schonfelder		

Cr Libby Stapleton
Cr Heather Wellington

CARRIED 7:0

BUSINESS:

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1. GOVERNANCE & INFRASTRUCTURE

1.1 Annual Performance Statement and Financial Statements 2020-21

Author's Title: Manager Finance

General Manager: John Bertoldi

Department: Finance

File No: F18/861-4

Division: Governance & Infrastructure

Trim No: IC21/1474

Appendix:

1. 2020-21 Surf Coast Shire Council Performance Statement (D21/157919)
2. 2020-21 Surf Coast Shire Council Financial Statements (D21/175646)

Officer Direct or Indirect Conflict of Interest:

Status:

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

Defined as confidential information in accordance
with Local Government Act 2020, Section 3(1):

☐ Yes

☒ No

☐ Yes

☒ No

Reason: Nil

Reason: Nil

Purpose

The purpose of this report is to present the 2020-21 Performance Statement and 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

The savings and transitional provisions Section 329 (7)(b) of the *Local Government Act 2020* means that Section 132 of the *Local Government Act 1989* continues to apply to the preparation of the Performance Statement and the Financial Statements for 2020-21. Section 132 of the Act requires Council to pass a resolution approving in principle the Performance Statement and the Financial Statements, prior to submitting the Statements to the Victorian Auditor-General for issue of an audit opinion.

The Audit and Risk Committee considered the Statements at its meeting held on Tuesday, 14 September 2021. The Committee recommended to Council the in principle the 2020-21 Performance Statement and Financial Statement for adoption and certification, subject to any further adjustments recommended by Council's auditor.

Council's approval of the statements is required to enable the in principle statements to be signed and submitted to the Auditor-General to issue an audit opinion and included in the annual report to be lodged with the Minister by 30 November 2021.¹

Recommendation

That Council:

1. Approves in principle the Financial Statements and Performance Statement and submits the statements to the auditor reporting on the audit.
2. Authorises Cr Libby Stapleton and Cr Liz Pattison to sign the 2020-21 Financial Statements and Performance Statement in accordance with section 132(5) of the Local Government Act 1989.
3. Requires the 2020-21 Financial Statements and Performance Statement to be referred back to Council if there are significant changes prior to signing.
4. Requires that any minor changes to the 2020-21 Financial Statements and Performance Statement be reviewed by the two authorised Councillors prior to signing.

¹ When this report was originally published in the Council meeting agenda, the deadline for submission to the Minister was 30 September 2021. An extension was subsequently provided by the Minister to all councils until 30 November 2021, and the report as presented in these minutes has been updated to reflect this extension.

4.1 Annual Performance Statement and Financial Statements 2020-21

Council Resolution

MOVED Cr Paul Barker, Seconded Cr Heather Wellington

That Council

1. Approves in principle the Financial Statements and Performance Statement and submits the statements to the auditor reporting on the audit.
2. Authorises Cr Libby Stapleton and Cr Paul Barker to sign the 2020-21 Financial Statements and Performance Statement in accordance with section 132(5) of the Local Government Act 1989.
3. Requires the 2020-21 Financial Statements and Performance Statement to be referred back to Council if there are significant changes prior to signing.
4. Requires that any minor changes to the 2020-21 Financial Statements and Performance Statement be reviewed by the two authorised Councillors prior to signing.

CARRIED 7:0

Voting

Voted on as follows:

For

Cr Gary Allen
Cr Paul Barker
Cr Mike Bodsworth
Cr Rose Hodge
Cr Adrian Schonfelder
Cr Libby Stapleton
Cr Heather Wellington

Against

Nil

Abstained

Nil

CARRIED 7:0

4.1 Annual Performance Statement and Financial Statements 2020-21

Report

Officer Direct or Indirect Interest

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

Background

The Local Government Act 1989 (the Act) requires Council to pass a resolution giving its approval in principle to the financial statements and performance statement 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.

Discussion

In accordance with its Charter, the Audit and Risk Committee is required to review the annual financial statements and annual performance statement, and make any recommendations to Council concerning their adoption. Minor changes recommended by the Committee have been updated in the Financial Statements and Performance Statements.

At its meeting on 14 September 2021, the Audit and Risk Committee resolved the following:

That the Audit and Risk Committee recommends to Council the 'in-principle' 2020-21 Financial Statements and Performance Statements for adoption and certification, subject to any further adjustments required by Council's auditor.

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 2020-21 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.

Council Plan

Theme	5 High Performing Council
Objective	5.1 Ensure Council is financially sustainable and has the capability to deliver strategic objectives
Strategy	Select Strategy

4.1 Annual Performance Statement and Financial Statements 2020-21

Reporting and Compliance Statements:

Local Government Act 2020 – LGA 2020

Implications	Applicable to this Report
Governance Principles (Consideration of the Governance Principles under s.9 of LGA 2020)	Yes
Policy/Relevant Law (Consideration of the Governance Principles under s.9 of LGA 2020)	Yes
Environmental/Sustainability Implications (Consideration of the Governance Principles under s.9 of LGA 2020)	No
Community Engagement (Consideration of Community Engagement Principles under s.56 LGA 2020)	Yes
Public Transparency (Consideration of Public Transparency Principles under s.58 of LGA 2020)	Yes
Strategies and Plans (Consideration of Strategic Planning Principles under s.89 of LGA 2020)	Yes
Financial Management (Consideration of Financial Management Principles under s.101 of LGA 2020)	Yes
Service Performance (Consideration of Service Performance Principles under s.106 of LGA 2020)	No
Risk Assessment	Yes
Communication	Yes
Human Rights Charter	No

Governance Principles - Local Government Act 2020 (LGA 2020)

Council's Annual Financial and Performance Statements are prepared in accordance with all applicable laws and regulations and fulfil obligations under those laws and obligations, adhering to the governance principles outlines in section 9 of the Local Government Act 2020.

Policy/Relevant Law

The Annual Financial and Performance Statements have been prepared in accordance with the Local Government Act 1989 (2020 Act not yet in force for financial reporting), the Local Government (Planning and Reporting) Regulations 2014, Australian Accounting Standards, and other mandatory professional requirements.

Community Engagement

Community engagement on Council's financial plans is undertaken as part of the annual budgeting process.

Public Transparency

Council's financial performance is reported via quarterly financial reports to Council meetings, the Annual Financial Statements, and the Annual Report.

Strategies/Plans

The Annual Financial Statements include comparisons of actual performance against Council's adopted budget.

Financial Management

The Annual Financial Statements are a key pillar in Council's financial reporting, and include Income Statements, Balance Sheet, Cash Flow Statements, financial commentary and variance reporting against budgets.

4.1 Annual Performance Statement and Financial Statements 2020-21

Risk Assessment

Council's Financial and Performance 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 Audit and Risk Committee also has a responsibility to review the statements prior to adoption of the statements in principle, and to raise any matters of concern.

Communication

The Financial and Performance Statements will be published in the Annual Report.

Options

Option 1 – Approve the 2020-21 Financial and Performance 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.

Option 2 – Do not approve the 2020-21 Financial and Performance 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 and performance reporting cycle provides a good opportunity for Council to reflect on its performance during the previous financial year. The process of compiling the financial and performance 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 reporting to the community continues to support Council's objective of maintaining sound financial practices.

4.1 Annual Performance Statement and Financial Statements 2020-21

APPENDIX 1 2020-21 SURF COAST SHIRE COUNCIL PERFORMANCE STATEMENT

Surf Coast Shire Council

Performance Statement

For the year ended 30 June 2021

4.1 Annual Performance Statement and Financial Statements 2020-21

Performance Statement

For the year ended 30 June 2021

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 ten distinct townships: Aireys Inlet, Anglesea, Bellbrae, 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 34,771 in 2020.

Sustainable Capacity Indicators

For the year ended 30 June 2021

Indicator / measure	Results				Material Variations
	2018	2019	2020	2021	
Population					No material variation.
<i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$2,253.61	\$2,525.44	\$2,612.92	\$2,496.25	
<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$17,768.52	\$18,017.77	\$17,229.50	\$17,260.82	
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	29.66	30.04	30.94	32.12	
Own-source revenue					No material variation.
<i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$1,920.44	\$1,980.93	\$1,982.51	\$1,878.23	
Recurrent grants					There was a small decrease to recurrent grants, while the population increased within Surf Coast Shire by 1315 residents or 4%.
<i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$321.48	\$245.76	\$288.26	\$244.05	
Disadvantage					No material variation.
<i>Relative socio-economic disadvantage</i> [Index of Relative Socio-economic Disadvantage by decile]	10.00	10.00	10.00	10.00	
Workforce turnover					There was a net decrease in employees at Surf Coast Shire for the first time in recent years with 58 commencing and 64 departures. The transition of the positive ageing service (in-home aged care) to alternative providers has contributed to the higher than usual departures.
<i>Percentage of staff turnover</i> [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	9.13%	11.87%	10.2%	1.45%	

4.1 Annual Performance Statement and Financial Statements 2020-21

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.

4.1 Annual Performance Statement and Financial Statements 2020-21

Service Performance Indicators

For the year ended 30 June 2021

Service / indicator / measure	Results				Material Variations
	2018	2019	2020	2021	
Aquatic facilities					
Utilisation					
<i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	0.26	0.30	0.19	0.14	Decrease in attendance over the season is weather related (higher number of cold and wet days due to the La Nina weather pattern) and due to two week shut down at the start of the season for repairs.
Animal management					
Health and safety					
<i>Animal management prosecutions</i> [Number of successful animal management prosecutions]	New in 2020	New in 2020	0%	0%	There were no animal management prosecutions during 2020-21.
Food safety					
Health and safety					
<i>Critical and major non-compliance outcome notifications</i> [Number of critical non-compliance outcome notifications and major non- compliance notifications about a food premises followed up / Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises] x100	98.84%	95.00%	100.00%	100%	No material variation.
Governance					
Satisfaction					
<i>Satisfaction with council decisions</i> [Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]	52.00	54.00	55.00	54.00	No material variation.

4.1 Annual Performance Statement and Financial Statements 2020-21

Service / indicator / measure	Results				Material Variations
	2018	2019	2020	2021	
Libraries					
Participation					
<i>Active library borrowers in municipality</i> [Number of active library borrowers in the last three years / The sum of the population for the last three years] x100	18.77%	18.78%	18.19%	16.49%	<p>The definition for this indicator was changed in 2019-20 and is therefore not an accurate comparison against previous years. The indicator now represents Active Library Borrowers as an average of the past three financial years.</p> <p>The indicator measures activity as loans of library collection items. It does not capture other library activity such as children and youth programs, digital literacy programs and literary events, the use of public internet computers, using facilities such as meeting rooms or study areas, or using services such as Wi-Fi, or in library use of collections.</p> <p>Borrowing was impacted by multiple branch closures due to the Covid-19 pandemic. To enable loans of physical collection items, a Click & Collect service was offered from Mon 21 Sep 2020. Click & Deliver service was offered to all patrons within local LGAs from Wed 12 Aug 2020.</p> <p>Loans of digital collection items remained available throughout the closure periods.</p>
Maternal and child health					
Participation					
<i>Participation in the MCH service</i> [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100	77.40%	77.70%	76.74%	77.86%	No material variation.
Participation					
<i>Participation in the MCH service by Aboriginal children</i> [Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100	94.12%	90.91%	85.71%	85.19%	<p>There is a low number of Aboriginal children participating in the MCH service and some of these children are not due for an appointment in this reporting period due to their age.</p> <p>Data is more susceptible to skewing due to low numbers.</p>

4.1 Annual Performance Statement and Financial Statements 2020-21

Service / indicator / measure	Results				Material Variations
	2018	2019	2020	2021	
Roads					No material variation.
Satisfaction					
<i>Satisfaction with sealed local roads</i> [Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]	59.00	60.00	58.00	63.00	
Statutory Planning					The variance to the number of Council planning decisions upheld at VCAT between the 2019-20 and 2020-21 years is attributed to both the increase in overall planning matters heard at VCAT (from 10 matters in 2019-20 to 33 matters in 2020-21), and the number of those matters where Council's decision was "set aside". It is important to note that the majority of decisions set aside were actually resolved prior to the VCAT hearing or through VCAT compulsory conference, resulting in an outcome acceptable to all parties.
Decision making					
<i>Council planning decisions upheld at VCAT</i> [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	50.00%	46.15%	80.00%	68.75%	
Waste Collection					The new four-bin system diverts food from landfill which improves diversion rates. It also includes organics collections for rural properties that didn't previously have access to this service.
Waste diversion					
<i>Kerbside collection waste diverted from landfill</i> [Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100	55.06%	52.97%	48.99%	64.25%	

4.1 Annual Performance Statement and Financial Statements 2020-21

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

"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*

"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

"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*.

	Results				Forecasts				
Dimension / indicator / measure	2018	2019	2020	2021	2022	2023	2024	2025	Material Variations
Efficiency Expenditure level Expenses per property assessment [Total expenses / Number of property assessments]	\$3,243.52	\$3,644.70	\$3,790.73	\$3,707.69	\$3,929.73	\$3,839.29	\$3,882.32	\$4,147.81	No material variation.
Revenue level Average rate per property assessment [General rates and Municipal charges / Number of property assessments]	New in 2020	New in 2020	\$2,032.57	\$2,072.19	\$2,116.17	\$2,162.30	\$2,214.17	\$2,277.82	No material variations.
Liquidity Working capital Current assets compared to current liabilities [Current assets / Current liabilities] x100	357.70%	418.26%	291.67%	231.04%	208.41%	206.68%	179.81%	180.24%	The reduction from the prior year is primarily driven by an increase in current provisions. This is due to a transfer from non-current liabilities to current liabilities in relation to landfill works to be undertaken in 2021-22.
Unrestricted cash Unrestricted cash compared to current liabilities [Unrestricted cash / Current liabilities] x100	-136.88%	-171.15%	-75.23%	-55.39%	-51.21%	-36.09%	-45.43%	-44.60%	The main driver in this variance is due to current liabilities increasing by \$12m with the increase in unearned income with a number of large project grants received late in 2020-21, (mainly grant funds for Surf Coast Aquatic and Health Centre).
Obligations Loans and borrowings Loans and borrowings compared to rates [Interest and principle repayments on Interest bearing	34.78%	31.14%	38.56%	33.48%	28.62%	24.08%	27.25%	22.63%	Generally the ratio is decreasing in line with the rates increasing and borrowings decreasing except for an increase in 2023-24 with Council budgeting to take out a loan as part of the funding strategy for the Torquay Aquatic and Health Facility.

4.1 Annual Performance Statement and Financial Statements 2020-21

Dimension / indicator / measure	Results				Forecasts				Material Variations
	2018	2019	2020	2021	2022	2023	2024	2025	
loans and borrowings / Rate revenue] x100									
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	3.44%	3.95%	31.55%	4.50%	4.28%	4.07%	3.87%	4.04%	The large decrease in this ratio is due to Council refinancing its current portfolio in the 2019-20 financial year. The ratio declines in 2021-22 to 2023- 24 then increases in 2024-25 due to a loan budgeted to be taken out 30.6.24 increasing repayments in the 2024-25 year.
Indebtedness <i>Non-current liabilities compared to own source revenue</i> [Non-current liabilities / Own source revenue] x100	45.18%	42.99%	46.74%	43.29%	33.94%	29.36%	31.63%	26.44%	This ratio is generally declining with the repayment of borrowings and waste provision funds being used, except for in 2023-24 when new borrowings are budgeted to be taken out as part of the funding strategy for the Surf Coast Aquatic and Health Centre.
Asset renewal and upgrade <i>Asset renewal and upgrade compared to depreciation</i> [Asset renewal and upgrade expense / Asset depreciation] x100	New in 2020	New in 2020	67.02%	75.81%	108.61%	77.62%	68.00%	65.84%	The 2021-22 year spike is driven by higher than usual upgrade works with Surf Coast Hwy/Coombes Road Intersection and Stribling Reserve Pavilions Redevelopment works being carried forward.
Operating position Adjusted underlying result <i>Adjusted underlying surplus (or deficit)</i> [Adjusted underlying surplus (deficit)/ Adjusted underlying revenue] x100	1.36%	-9.88%	-8.98%	-9.50%	-15.71%	-10.72%	-10.35%	-11.18%	The spike in the 2021-22 ratio is due to asset write-off being approximately \$2.5m higher in that year in line with our budgeted capital program.

4.1 Annual Performance Statement and Financial Statements 2020-21

Dimension / indicator / measure	Results				Forecasts				Material Variations
	2018	2019	2020	2021	2022	2023	2024	2025	
Stability Rates concentration Rates compared to adjusted underlying revenue [Rate revenue / Adjusted underlying revenue] x100	69.35%	70.54%	68.44%	71.67%	73.15%	73.24%	73.97%	71.73%	No material variation.
Rates effort Rates compared to property values [Rate revenue / Capital improved value of rateable properties in the municipality] x100	0.34%	0.29%	0.28%	0.25%	0.26%	0.26%	0.27%	0.27%	Property values increased at a higher rate than rates revenue.
Retired measures Service / indicator / measure Animal Management Health and safety Animal management prosecutions [Number of successful animal management prosecutions]	0	0	Retired in 2020						
Efficiency Revenue level Average residential rate per residential property assessment [Residential rate revenue / Number of residential property assessments]	\$2,181.09	\$2,056.67	Retired in 2020						
Obligations Asset renewal Asset renewal compared to depreciation [Asset renewal expenses / Asset depreciation] x 100	37.25%	43.44%	Retired in 2020						

4.1 Annual Performance Statement and Financial Statements 2020-21

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 2021

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 require 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 23 June 2020 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.

4.1 Annual Performance Statement and Financial Statements 2020-21

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.

Gabrielle Spiller CPA
Principal Accounting Officer
Dated: 21 September 2021

In our opinion, the accompanying performance statement of the Surf Coast Shire Council for the year ended 30 June 2021 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 Libby Stapleton)
Councillor
Dated: 21 September 2021

(Cr Liz Pattison)
Councillor
Dated: 21 September 2021

Robyn Seymour
Chief Executive Officer
Dated: 21 September 2021

4.1 Annual Performance Statement and Financial Statements 2020-21

APPENDIX 2 2020-21 SURF COAST SHIRE COUNCIL FINANCIAL STATEMENTS

**Surf Coast Shire
ANNUAL FINANCIAL REPORT**

For the Year Ended 30 June 2021

4.1 Annual Performance Statement and Financial Statements 2020-21

Surf Coast Shire Financial Report Table of Contents

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4.1 Annual Performance Statement and Financial Statements 2020-21

Surf Coast Shire
2020/2021 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*, the *Australian Accounting Standards* and other mandatory professional reporting requirements.

Gabrielle Spiller CPA
Principal Accounting Officer
Date : 21 September 2021
Torquay

In our opinion the accompanying financial statements present fairly the financial transactions of the Surf Coast Shire for the year ended 30 June 2021 and the financial position of the Council as at that date.

At the date of signing, we are not aware of any circumstances that 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 Libby Stapleton
Councillor
Date : 21 September 2021
Torquay

Cr Liz Pattison
Councillor
Date : 21 September 2021
Torquay

Robyn Seymour
Chief Executive Officer
Date : 21 September 2021
Torquay

4.1 Annual Performance Statement and Financial Statements 2020-21

*Surf Coast Shire
2020/2021 Financial Report*

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4.1 Annual Performance Statement and Financial Statements 2020-21

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4.1 Annual Performance Statement and Financial Statements 2020-21

Surf Coast Shire
2020/2021 Financial Report

Comprehensive Income Statement For the Year Ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Income			
Rates and charges	3.1	56,812	54,922
Statutory fees and fines	3.2	1,758	2,333
User fees	3.3	5,234	6,754
Grants - operating	3.4	9,731	9,065
Grants - capital	3.4	12,176	5,129
Contributions - monetary	3.5	3,420	3,874
Contributions - non monetary	3.5	9,128	12,786
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	3.6	193	349
Other income	3.7	1,311	1,356
Total income		99,763	96,568
Expenses			
Employee costs	4.1	(34,732)	(33,375)
Materials and services	4.2	(25,707)	(24,886)
Depreciation	4.3	(15,956)	(16,031)
Amortisation - intangible assets	4.4	(3,329)	(4,154)
Amortisation - right of use assets	4.5	(516)	(583)
Bad and doubtful debts	4.6	(96)	(127)
Borrowing costs	4.7	(406)	(3,528)
Share of net loss (or profits) of associates	6.3	(247)	107
Finance costs - leases	4.8	(25)	(65)
Other expenses	4.9	(5,783)	(3,977)
Total expenses		(86,797)	(86,619)
Surplus/(deficit) for the year		12,966	9,949
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	9.1	26,260	(12,350)
Total comprehensive result		39,226	(2,401)

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

4.1 Annual Performance Statement and Financial Statements 2020-21

Surf Coast Shire
2020/2021 Financial Report

Balance Sheet As at 30 June 2021

	Note	2021 \$'000	2020 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1	15,802	11,766
Trade and other receivables	5.1	5,851	7,088
Other financial assets	5.1	66,800	55,000
Non-current assets classified as held for sale	6.1	-	290
Other assets	5.2	1,205	1,109
Total current assets		89,658	75,253
Non-current assets			
Trade and other receivables	5.1	14	50
Investments in associates	6.3	291	538
Property, infrastructure, plant and equipment	6.2	829,363	789,241
Right-of-use assets	5.8	441	878
Intangible assets	5.2	29,524	33,831
Total non-current assets		859,633	824,538
Total assets		949,291	899,791
Liabilities			
Current liabilities			
Trade and other payables	5.3	5,281	5,839
Trust funds and deposits	5.3	8,476	9,499
Provisions	5.5	10,346	7,150
Interest-bearing liabilities	5.4	2,150	2,149
Lease liabilities	5.8	230	444
Unearned Income	5.3	12,323	720
Total current liabilities		38,806	25,801
Non-current liabilities			
Provisions	5.5	11,192	11,537
Interest-bearing liabilities	5.4	16,871	19,021
Lease liabilities	5.8	210	446
Total non-current liabilities		28,273	31,004
Total liabilities		67,079	56,805
Net assets		882,212	842,986
Equity			
Accumulated surplus		477,951	470,465
Reserves	9.1	404,261	372,521
Total Equity		882,212	842,986

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

4.1 Annual Performance Statement and Financial Statements 2020-21

Surf Coast Shire
2020/2021 Financial Report

Statement of Changes in Equity For the Year Ended 30 June 2021

	Note	Total \$'000	Accumulated Surplus \$'000	Asset Revaluation Reserves \$'000	Other Reserves \$'000
2021					
Balance at beginning of the financial year		842,986	470,465	316,686	55,835
Surplus/(deficit) for the year		12,966	12,966	-	-
Net asset revaluation increment/(decrement)	6.2	26,260	-	26,260	-
Transfers to other reserves	9.1	-	(49,880)	-	49,880
Transfers from other reserves	9.1	-	44,400	-	(44,400)
Balance at end of the financial year		882,212	477,951	342,946	61,315

	Note	Total \$'000	Accumulated Surplus \$'000	Asset Revaluation Reserves \$'000	Other Reserves \$'000
2020					
Balance at beginning of the financial year		841,053	460,836	329,036	51,181
Adjustment to opening accumulated surplus : Recognition of previously unrecognised assets		4,334	4,334	-	-
		845,387	465,170	329,036	51,181
Surplus/(deficit) for the year		9,949	9,949	-	-
Net asset revaluation increment/(decrement)	6.2	(12,350)	-	(12,350)	-
Transfers to other reserves	9.1	-	(49,285)	-	49,285
Transfers from other reserves	9.1	-	44,631	-	(44,631)
Balance at end of the financial year		842,986	470,465	316,686	55,835

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

4.1 Annual Performance Statement and Financial Statements 2020-21

Surf Coast Shire
2020/2021 Financial Report

Statement of Cash Flows For the Year Ended 30 June 2021

	Note	2021 Inflows/ (Outflows) \$'000	2020 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		57,060	53,843
Statutory fees and fines		1,708	2,264
User fees		5,570	7,061
Grants - operating		11,466	9,520
Grants - capital		23,415	5,475
Contributions - monetary		3,420	3,874
Interest received		571	1,288
Trust funds and deposits taken		3,681	10,371
Net GST refund		3,914	3,177
Employee costs		(34,169)	(32,155)
Materials and services		(31,721)	(27,739)
Short-term, low value and variable lease payments		(308)	(196)
Trust funds and deposits repaid		(4,704)	(4,699)
Net cash provided by/(used in) operating activities	9.2	39,903	32,084
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(21,532)	(21,222)
Proceeds from sale of property, infrastructure, plant and equipment		574	654
Payments for investments		(76,800)	(87,960)
Proceeds from sale of investments		65,005	81,650
Net cash provided by/(used in) investing activities		(32,753)	(26,878)
Cash flows from financing activities			
Finance costs		(407)	(3,534)
Proceeds from borrowings		-	18,674
Interest paid - lease liability		(26)	(59)
Repayment of borrowings		(2,149)	(13,788)
Repayment of lease liabilities		(532)	(570)
Net cash provided by/(used in) financing activities		(3,114)	723
Net increase (decrease) in cash and cash equivalents		4,036	5,929
Cash and cash equivalents at the beginning of the financial year		11,766	5,837
Cash and cash equivalents at the end of the financial year	5.1(a)	15,802	11,766
Financing arrangements	5.6		
Restrictions on cash assets	5.1		

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

4.1 Annual Performance Statement and Financial Statements 2020-21

Surf Coast Shire
2020/2021 Financial Report

Statement of Capital Works For the Year Ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Property			
Land		60	8
Buildings		10,358	7,419
Total property		<u>10,418</u>	<u>7,427</u>
Plant and equipment			
Plant, machinery and equipment		1,044	1,046
Computers and telecommunications		895	1,035
Total plant and equipment		<u>1,939</u>	<u>2,081</u>
Infrastructure			
Roads		5,816	7,062
Bridges		252	-
Footpaths and cycleways		798	995
Drainage and sewerage		297	1,043
Recreational, leisure and community facilities		603	1,956
Waste management		-	70
Parks, open space and streetscapes		1,148	482
Off street car parks		261	103
Total infrastructure		<u>9,175</u>	<u>11,711</u>
Total capital works expenditure		<u>21,532</u>	<u>21,219</u>
Represented by:			
New asset expenditure		9,233	9,906
Asset renewal expenditure		6,894	6,144
Asset expansion expenditure		203	569
Asset upgrade expenditure		5,202	4,600
Total capital works expenditure		<u>21,532</u>	<u>21,219</u>

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

4.1 Annual Performance Statement and Financial Statements 2020-21

Surf Coast Shire
2020/2021 Financial Report

Notes to the Financial Report For the Year Ended 30 June 2021

OVERVIEW

Introduction

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

Statement of compliance

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

Significant accounting policies

(a) Basis of accounting

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 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 5.5)
- the determination of landfill provisions (refer to Note 5.5)
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income of Not-for-Profit Entities* (refer to Note 3)
- the determination, in accordance with AASB 16 *Leases*, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.8)
- 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.

(b) Impact of Covid-19

On 16 March 2020 a state of emergency was declared in Victoria due to the global pandemic COVID-19 virus, known as coronavirus. A state of disaster was subsequently declared on 2 August 2020. While the impacts of the pandemic have abated somewhat through the 2020/21 year, Council has noted the following significant impacts on its financial operations:

Additional revenue

Kindergarten net benefits from COVID grant funding \$221k
Rural Council ICT Technology Support Package grant \$100k
Business Concierge and Hospitality support grant \$60k
Local Roads and Community Infrastructure Program \$472k

Reduced revenue

Parking infringements \$331k
Building hire and fitness program revenue \$292k
Net closure of VIC and ANSM \$164k

Revenue foregone

Waived fees health and food registrations; A Frames & Footpath Trading permits \$332k
Rates waiver for commercial properties \$263k
Waived penalty interest of rates and sundry debts \$195k
COVID-19 Recovery Waived community group facility hire and peppercorn leases and licences \$40k;

Reduced Costs

Cancelled Events \$200k

Additional Costs

Pandemic leave, allowances and COVID communications \$367k
COVID-19 Recovery - various groups/activities \$309k
COVID-19 Recovery - Trader Groups Allocation \$100k
COVID-19 Recovery - Quick Response Grants \$83k

4.1 Annual Performance Statement and Financial Statements 2020-21

Surf Coast Shire
2020/2021 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2021

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.

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 2021 \$'000	Actual 2021 \$'000	Variance 2021 \$'000	Variance 2021 %	Ref
Income					
Rates and charges	56,590	56,812	222	0%	1
Statutory fees and fines	2,366	1,758	(608)	-26%	2
User fees	7,476	5,234	(2,242)	-30%	3
Grants - operating	7,705	9,731	2,026	26%	4
Grants - capital	9,377	12,176	2,799	30%	5
Contributions - monetary	3,989	3,420	(569)	-14%	6
Contributions - non monetary	11,668	9,128	(2,540)	-22%	7
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	-	193	193	-	8
Other income	632	1,311	679	107%	9
Total income	99,802	99,763	(39)	0%	
Expenses					
Employee costs	32,654	34,732	(2,078)	-6%	10
Materials and services	29,385	25,707	3,678	13%	11
Bad and doubtful debts	150	96	54	36%	12
Depreciation	16,252	15,956	296	2%	13
Amortisation - Intangible assets	3,579	3,329	250	7%	14
Amortisation - Right of use assets	536	516	20	4%	
Borrowing costs	408	406	2	1%	
Share of net loss of associates and joint ventures	-	247	(247)	-	15
Finance costs - Leases	41	25	16	40%	16
Other expenses	2,840	5,783	(2,943)	-104%	17
Total expenses	85,846	86,797	(951)	-1%	
Surplus/(deficit) for the year	13,956	12,966	(990)	-7%	

4.1 Annual Performance Statement and Financial Statements 2020-21

Surf Coast Shire
2020/2021 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2021

(i) Explanation of material variations

Variance	Item	Explanation
1	Rates and charges	Favourable to budget due to supplementary rates.
2	Statutory fees and fines	Unfavourable to budget: subdivision supervision fees \$294k due to slow down in development and infringements \$337k due to slow down in tourism.
3	User fees	Unfavourable to budget: waste disposal & recycling revenue \$1,042k related to price increase of 20% and reduced quantity of tipping by business customers; kindergarten fees due to government funding of programs \$467k; closures of visitor information centres and Australian National Surfing Museum impact on sale and admission revenue \$346k; facility closures (building hire revenue) and reduced fitness program numbers \$294k.
4	Grants - operating	Favourable to budget: kindergarten funding four year old kinder, cleaning, learning from home \$875k; solar compacting bins \$103k; operating projects not budgeted for \$1,360k including Working for Victoria Funding \$442k, Local Council Outdoor Eating and Entertainment Package \$147k, Shire Wide Food Organics and Green Organics \$121k and Local Operational Response Plans \$90k. Partially offset by unfavourable to budget: Victorian Grants Commission \$428k.
5	Grants - capital	Favourable to budget: grants not budgeted for \$6,243k including Grant Pavilion Extension \$1,810k, Surf Coast Multi Purpose Indoor Stadium \$1,300k, Cape Otway Road Widening Stage 5 \$787k, Anglesea Netball Pavilion \$450k and Blackspot Funding \$295k. Partially offset by unfavourable to budget grants not yet received Stripling Reserve Pavilions Redevelopment \$2,854k and Local Roads and Community Infrastructure Program \$589k.
6	Contributions - monetary	Unfavourable to budget: developer contributions \$1,532k due to slowing in development and family day care contributions \$64k due to lower numbers. Partially offset by favourable to budget open space contributions \$815k and unbudgeted contributions to projects \$231k.
7	Contributions - non monetary	Unfavourable to budget: granted assets \$2,142k due to slowing of development and budgeted volunteer services \$390k but actual recorded in other revenue.
8	Net gain/(loss) on disposal of property, infrastructure, plant and equipment	Favourable to budget: sale of Hesse House gain \$90k and sale of grader and tractor \$83k.
9	Other income	Favourable to budget: found assets \$700k majority being for parks assets found during condition audits and volunteer services \$101k (budgeted for under contributions non-monetary). Partially offset by unfavourable to budget: interest on investments \$123k due to low interest rates.
10	Employee Costs	Unfavourable to budget: Expensed capital works \$591k and Working For Victoria \$402k not budgeted for; Towards Environmental Leadership classified as materials in budget \$241k; Positive Ageing one off expense budgeted for in 2019/20 \$581k; pandemic costs leave and communications \$367k; once off staff costs \$198k. Partially offset by favourable to budget: vacancies \$505k.
11	Materials and services	Favourable to budget: expensed capex \$2,163k predominately Surf Coast Highway/Coombes Road Intersection, concept design Cultural Facility and condition audit; landfill levy deferral of increase \$889k; utility charges due to reduction in facility usage (COVID-19), solar installation benefits, and gas rate charge reduction \$293k; cancelled events \$200k; and reduced stock purchases due to closure of visitor information centres, Australian National Surfing Museum \$158k and passenger fleet fuel and maintenance \$145k.
12	Bad and doubtful debts	Favourable to budget: related to lower infringement revenue \$54k.
13	Depreciation	Favourable to budget: Lower than expected Capital Works completed (\$6,929k underspend) and lower than expected non-monetary Developer Contributions (\$2,540k) lead to a lower than expected asset base
14	Amortisation - Intangible Assets	Favourable to budget: Lower than expected usage of the Anglesea Landfill (10,000 m3 less)
15	Share of net loss of associates and joint ventures	Favourable to budget:
16	Finance Costs Leases	Favourable to budget: fleet leases expired now on month by month agreements \$16k.
17	Other expenses	Unfavourable to budget: non-cash landfill rehabilitation expense \$2,485k mainly related to a review of aftercare costs; and asset write offs exceeding budget \$416k.

4.1 Annual Performance Statement and Financial Statements 2020-21

Surf Coast Shire
2020/2021 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2021

Note 1 Performance against budget (cont'd)

1.2 Capital works

	Budget 2021 \$'000	Actual 2021 \$'000	Variance 2021 \$'000	Variance 2021 %	Ref
Property					
Land	-	60	(60)	-	
Buildings	6,393	10,358	(3,965)	-62%	1
Total Property	6,393	10,418	(4,025)	-63%	
Plant and Equipment					
Plant, machinery and equipment	1,984	1,044	940	47%	2
Fixtures, fittings and furniture	275	-	275	100%	3
Computers and telecommunications	1,852	895	957	52%	4
Total Plant and Equipment	4,111	1,939	2,172	53%	
Infrastructure					
Roads	8,257	5,816	2,441	30%	5
Bridges	780	252	528	68%	6
Footpaths and cycleways	1,199	798	401	33%	7
Drainage and sewerage	271	297	(26)	-10%	8
Recreational, leisure and community facilities	4,597	603	3,994	87%	9
Waste management	538	-	538	100%	10
Parks, open space and streetscapes	1,678	1,148	530	32%	11
Off street car parks	235	261	(26)	-11%	12
Total Infrastructure	17,555	9,175	8,380	48%	
Total Capital Works Expenditure	28,059	21,532	6,527	23%	
Represented by:					
New asset expenditure	8,490	9,233	(743)	-9%	
Asset renewal expenditure	12,654	6,894	5,760	46%	
Asset expansion expenditure	68	203	(135)	-199%	
Asset upgrade expenditure	6,847	5,202	1,645	24%	
Total Capital Works Expenditure	28,059	21,532	6,527	23%	

4.1 Annual Performance Statement and Financial Statements 2020-21

Surf Coast Shire
2020/2021 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2021

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Buildings	Higher than budgeted expenditure due to unbudgeted 2019/20 carry forwards related to Surf Coast Multi Purpose Stadium \$2,184k and Lorne Stribling Reserve Pavilion Upgrade budgeted under Rec & Leisure but costed to buildings \$2,517k, offset by lower than budgeted spend due to over estimation of carry forward budget on Mt Moriac Equestrian Centre \$242k and underspend on the Building Renewal Program \$206k, DDA Program \$133k and Grant Pavilion \$200k.
2	Plant & Machinery	Plant, Machinery and Equipment replacements delayed due to COVID \$940k.
3	Fixtures, fittings and furniture	Expenditure delayed due to COVID, Agile Working Project on hold \$275k.
4	Computers and telecommunications	Lower than budgeted expenditure due to unfinished Digital Transformation projects carried forward to 2021-22.
5	Roads	Lower than budgeted expenditure on Roads due to overestimate of the 2019/20 carry forward budget on Surf Coast Hwy/ Coombes Road intersection \$420k and Horseshoe Bend Road Widening and Culvert Replacement \$96k; uncompleted projects Fischer St Darian Road to Highlander St \$199k and Point Roadknight Drainage Outfall \$638k, as well as project savings on Fischer St Beach Rd to Darian Rd \$500k and Parking Overstay Detector \$100k being budgeted under Roads, but costed to Computer assets.
6	Bridges	Gnarwarre Road Culvert \$164k capitalised on Road assets as not a major culvert and project saving \$391k.
7	Footpaths and cycleways	Lower than budgeted expenditure on Footpaths due to not commencing Torquay North Open Space Pathway Contribution \$539k and Camp Road Pathway Project \$51k; offset by underestimate of the 2019/20 carry forward on footpaths at Wurdi Baierr Stadium \$142k.
8	Drainage and sewerage	Higher than budgeted expenditure on Drainage due to spend on Jan Juc Creek Master Plan \$25k that was budgeted under Parks & Open Space but costed to Drainage.
9	Recreational, leisure and community facilities	Lower than budgeted spend on Recreation projects including projects not commenced Coogoorah Park Playground \$102k, Modewarre Netball and Tennis Pavilion \$319k, Local Roads and Community Infrastructure Projects \$350k and Lorne Stribling Reserve Terraces \$238k; uncompleted projects Great Ocean Views Playground \$60k, Bellbrae Playground \$145k and Barwon River Adventure Play Space \$260k; 2019/20 carry forward overestimated for Mt Moriac Reserve AFL Lighting \$145k and expenditure budgeted in Recreation but costed to other asset classes Stribling Reserve Pavilions \$2,328k and Winchelsea Memorial Cairns \$60k.
10	Waste management	Waste management projects delayed \$538k.
11	Parks, open space and streetscapes	Lower than budgeted expenditure on Parks assets due to not commencing Torquay Central and North Contribution \$507k, Moriac Greenfields Trail \$117k and Local Roads and Community Infrastructure projects \$350k; offset by expenditure on projects budgeted for in different asset classes including Deans Marsh Pathway \$116k, Winchelsea Memorial Cairns \$154k and Winchelsea Pathways \$131k.
12	Off street car parks	Higher than budgeted expenditure due to unbudgeted 2019/20 carry forwards including Zeally Bay Rd Car Park \$145k, Merrijig Drive Parking Bays \$29k and Lorne Transfer Station Car Park \$16k, offset by underspending on McMillan St Car Park \$186k and savings on the Winchelsea Men's Shed Car Park \$17k.

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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 2020*.

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, social infrastructure 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, freedom of information, 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
2021					
Chief Executive Office	-	2,338	(2,338)	-	-
Culture and Community	8,881	21,629	(12,748)	7,662	129,939
Environment and Development	4,571	16,057	(11,486)	943	602
Governance and Infrastructure	86,311	46,773	39,538	13,302	818,750
	99,763	86,797	12,966	21,907	949,291

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2020					
Chief Executive Office	1	2,433	(2,432)	-	-
Culture and Community	6,350	21,768	(15,418)	4,281	108,505
Environment and Development	4,007	15,659	(11,652)	467	579
Governance and Infrastructure	86,210	46,759	39,451	9,446	790,707
	96,568	86,619	9,949	14,194	899,791

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Note 3 Funding for the delivery of our services	2021	2020
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 2020/21 was \$20,571 million (2019/20 \$19,187 million).

General rates	43,288	41,453
Municipal charge	4,883	4,692
Waste management charge	8,302	7,881
Special rates and charges	-	24
Supplementary rates and rate adjustments	339	728
Interest on rates and charges	-	144
Total rates and charges	56,812	54,922

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2020, and the valuation will first apply in the rating year commencing 1 July 2020.

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.

3.2 Statutory fees and fines

Infringements and costs	492	762
Building Services	325	327
Town planning fees	690	689
Land information certificates	53	39
Subdivision fees	106	410
Other statutory fees and fines	92	86
Total statutory fees and fines	1,758	2,333

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.

3.3 User fees

Aged and health services	30	402
Leisure centre and recreation	336	581
Child care/children's programs	387	631
Building Services	35	24
Registration and other permits	496	452
Waste management services	2,709	3,155
Royalties	666	805
Gravel pits	165	200
Lease rentals	72	44
Other fees and charges	338	460
Total user fees	5,234	6,754

User fees by timing of revenue recognition

User fees recognised over time	507	840
User fees recognised at a point in time	4,727	5,914
Total user fees	5,234	6,754

User fees are recognised as revenue at a point in time, or over time, when (or as) the performance obligation is satisfied. Recognition is based on the underlying contractual terms.

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3.4 Funding from other levels of government	2021	2020
Grants were received in respect of the following :	\$'000	\$'000
Summary of grants		
Commonwealth funded grants	12,359	8,012
State funded grants	9,548	6,182
Total grants received	21,907	14,194
(a) Operating grants		
Recurrent - Commonwealth Government		
Financial Assistance Grants	4,587	4,778
Community safety	-	245
Home and community care	279	1,151
Other	123	62
Recurrent - State Government		
Home and community care	173	280
School crossing supervisors	60	62
Maternal and child health	389	341
Community safety	79	-
Kindergartens	1,529	1,491
Environmental planning	26	26
Youth Services	142	102
Other	48	55
Total recurrent operating grants	7,435	8,593
Non-recurrent - Commonwealth Government		
Recreation	10	-
Arts and Culture	9	-
Non-recurrent - State Government		
Waste Management	224	125
Environmental planning	315	20
Buildings	7	7
Community safety	13	-
Recreation	5	3
Kindergartens	779	252
Maternal and child health	-	13
Other	934	52
Total non-recurrent operating grants	2,296	472
Total operating grants	9,731	9,065
(b) Capital grants		
Recurrent - Commonwealth Government		
Roads to recovery	1,051	1,051
Total recurrent capital grants	1,051	1,051
Non-recurrent - Commonwealth Government		
Recreation	72	80
Arts and Culture	110	78
Buildings	5,576	-
Roads	542	567
Non-recurrent - State Government		
Buildings	2,166	10
Roads	1,366	2,682
Recreation	1,012	550
Arts and Culture	26	-
Waste Management	-	107
Other	255	4
Total non-recurrent capital grants	11,125	4,078
Total capital grants	12,176	5,129
Grant income is recognised at the point in time when the council satisfies its performance obligations as specified in the underlying agreement.		
(c) Unspent grants received on condition that they be spent in a specific manner		
Operating		
Balance at start of year	225	247
Received during the financial year and remained unspent at balance date	1,046	221
Received in prior years and spent during the financial year	(180)	(243)
Balance at year end	1,091	225
Capital		
Balance at start of year	1,592	2,506
Received during the financial year and remained unspent at balance date	15,062	1,355
Received in prior years and spent during the financial year	(1,398)	(2,269)
Balance at year end	15,256	1,592

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	2021 \$'000	2020 \$'000
3.5 Contributions		
Monetary	3,420	3,874
Non-monetary	9,128	12,786
Total contributions	12,548	16,660
<i>Contributions of non monetary assets were received in relation to the following asset classes:</i>		
Land	1,806	1,219
Roads	2,850	6,265
Other infrastructure	4,472	5,302
Total non-monetary contributions	9,128	12,786

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

3.6 Net gain/(loss) on disposal of property, infrastructure, plant and equipment

Proceeds of sale	570	654
Written down value of assets disposed	(377)	(305)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	193	349

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

3.7 Other income

Interest	509	1,107
Volunteer Services	101	249
Found Asset	701	-
Total other income	1,311	1,356

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

4.1 Employee costs

Wages and salaries	30,703	29,307
WorkCover	381	516
Superannuation	2,934	2,796
Fringe benefits tax	148	152
Volunteer Services	101	249
Other	465	355
Total employee costs	34,732	33,375

(a) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	39	37
Employer contributions payable at reporting date:	39	37

Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	1,596	1,577
Employer contributions - other funds	1,254	1,144
Employer contributions payable at reporting date:	2,850	2,721

Refer to Note 9.3 for further information relating to Council's superannuation obligations.

4.2 Materials and services

Contract payments - Buildings	1,432	1,522
Contract payments - Open Space	688	618
Contract payments - Roads	988	939
Contract payments - Strategic Asset Management	53	584
Contract payments - Waste	4,284	3,688
Contract payments - Other	173	299
General maintenance	564	317
Utilities	1,130	1,178
Office administration	747	938
Information technology	1,293	940
Insurance	780	683
Consultants	1,827	1,516
Fuel	504	624
Grants, contributions and sponsorship	1,517	1,477
Materials	1,089	1,215
Sub-contractors	6,155	5,430
Royalties	1,111	1,574
Other	1,372	1,344
Total materials and services	25,707	24,886

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	2021 \$'000	2020 \$'000
4.3 Depreciation		
Property	3,444	3,373
Plant and equipment	1,712	1,523
Infrastructure	10,800	11,135
Total depreciation	15,956	16,031
<i>Refer to note 5.2, 5.8 and 6.2 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.</i>		
4.4 Amortisation - Intangible assets		
Landfill air space	3,329	4,154
Total amortisation - intangible assets	3,329	4,154
4.5 Amortisation - Right of use assets		
Fleet	244	277
Property	80	79
IT equipment	-	6
Waste	192	221
Total amortisation - right of use assets	516	583
<i>Refer to note 5.8 for a more detailed breakdown of amortisation charges and accounting policy.</i>		
4.6 Bad and doubtful debts		
Infringement debtors	89	125
Rates debtors	6	1
Other debtors	1	1
Total bad and doubtful debts	96	127
Movement in provisions for doubtful debts		
Balance at the beginning of the year	135	120
Provisions recognised/(used) during the year	11	15
Balance at end of year	146	135
<i>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.</i>		
4.7 Borrowing costs		
Interest - Borrowings	406	3,528
Total borrowing costs	406	3,528
<i>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.</i>		
4.8 Finance Costs - Leases		
Interest - Lease Liabilities	25	65
Total finance costs	25	65
4.9 Other expenses		
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	51	28
Auditors' remuneration - Internal	123	119
Councillors' allowances	296	312
Operating lease and rentals	397	338
Assets written-off / impaired	2,430	3,817
Future landfill rehabilitation adjustment	2,486	(637)
Total other expenses	5,783	3,977
Note 5 Our financial position		
5.1 Financial assets		
(a) Cash and cash equivalents		
Cash on hand	5	4
Cash at bank	15,797	11,762
Total cash and cash equivalents	15,802	11,766
(b) Other financial assets		
Term deposits - current	66,800	55,000
Total other financial assets	66,800	55,000
Total financial assets	82,602	66,766
<i>Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of 3 months or less, net of outstanding bank overdrafts. Other financial assets are valued at fair value, at balance date. Term deposits are measured at original cost. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.</i>		
<i>Council's cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:</i>		
Restricted cash - Trust funds and deposits (Note 5.3)	8,476	9,499
Total unrestricted financial assets	74,126	57,267
Intended allocations		
<i>Although not externally restricted the following amounts have been allocated for specific future purposes by Council:</i>		
- Council Allocated reserves as per Note 9.1(b) excluding Accumulated Unallocated Cash	57,822	53,400
Total funds subject to intended allocations	57,822	53,400

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	2021 \$'000	2020 \$'000
(c) Trade and other receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	3,944	4,055
Special rate assessment	38	22
Infringement debtors	705	644
Provision for doubtful debts - infringements	(146)	(135)
<i>Non statutory receivables</i>		
Net GST receivable	508	701
Other debtors	802	1,801
Total current trade and other receivables	5,851	7,088
Non-current		
<i>Statutory receivables</i>		
Special rate scheme	14	50
Total non-current trade and other receivables	14	50
Total trade and other receivables	5,865	7,138

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)	558	1,518
Past due by up to 30 days	77	83
Past due between 31 and 180 days	167	200
Total trade and other receivables	802	1,801

4.1 Annual Performance Statement and Financial Statements 2020-21

Surf Coast Shire 2020/2021 Financial Report	Notes to the Financial Report For the Year Ended 30 June 2021	
5.2 Non-financial assets	2021	2020
(a) Other assets		
Prepayments	568	309
Inventories	314	311
Accrued income	343	489
Total other assets	1,205	1,109
(b) Intangible assets		
Landfill air space	29,524	33,831
Total intangible assets	29,524	33,831
Gross carrying amount	Landfill \$'000	
Balance at 1 July 2020	86,798	
Revaluation	12,990	
Balance at 30 June 2021	99,788	
Accumulated amortisation and impairment		
Balance at 1 July 2020	52,967	
Amortisation expense	3,329	
Revaluation	13,968	
Balance at 30 June 2021	70,264	
Net book value at 30 June 2020	33,831	
Net book value at 30 June 2021	29,524	
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.		
5.3 Payables	2021	2020
(a) Trade and other payables	\$'000	\$'000
Trade payables	2,959	3,883
Accrued expenses	2,322	1,956
Total trade and other payables	5,281	5,839
(b) Trust funds and deposits		
Refundable deposits	8,458	9,491
Other refundable deposits	18	8
Total trust funds and deposits	8,476	9,499
(b) Unearned Income		
Grants received in advance - capital	11,046	153
Grants received in advance - operating	600	27
Rates received in advance	677	540
Total unearned income	12,323	720

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.

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5.4 Interest-bearing liabilities	2021	2020
	\$'000	\$'000
Current		
Borrowings - secured *	2,150	2,140
Borrowings - unsecured	-	9
	<u>2,150</u>	<u>2,149</u>
Non-current		
Borrowings - secured *	16,871	19,021
	<u>16,871</u>	<u>19,021</u>
Total	<u>19,021</u>	<u>21,170</u>

* Borrowings are secured by Council's general rates.

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

Not later than one year	2,150	2,149
Later than one year and not later than five years	8,708	8,664
Later than five years	8,163	10,357
	<u>19,021</u>	<u>21,170</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 Provisions	Employee	Landfill restoration	Total
	\$'000	\$'000	\$'000
2021			
Balance at beginning of the financial year	7,892	10,795	18,687
Additional provisions/(reduction in provisions)	3,351	3,342	6,693
Amounts used	(2,814)	(34)	(2,848)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(139)	(855)	(994)
Balance at the end of the financial year	<u>8,290</u>	<u>13,248</u>	<u>21,538</u>
2020			
Balance at beginning of the financial year	6,947	11,443	18,390
Additional provisions/(reduction in provisions)	3,035	(1,041)	1,994
Amounts used	(2,211)	(10)	(2,221)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	121	403	524
Balance at the end of the financial year	<u>7,892</u>	<u>10,795</u>	<u>18,687</u>

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Surf Coast Shire 2020/2021 Financial Report	Notes to the Financial Report For the Year Ended 30 June 2021	
	2021 \$'000	2020 \$'000
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	2,289	2,173
Long service leave	676	440
	2,965	2,613
Current provisions expected to be wholly settled after 12 months		
Annual leave	694	565
Long service leave	3,894	3,922
	4,588	4,487
Total current employee provisions	7,553	7,100
Non-current		
Long service leave	757	792
Total non-current employee provisions	757	792
Aggregate carrying amount of employee provisions:		
Current	7,553	7,100
Non-current	757	792
Total aggregate carrying amount of employee provisions	8,290	7,892
The calculation of employee costs and benefits includes all relevant on-costs and are calculated as follows at reporting date.		
<i>Wages and salaries and annual leave</i>		
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service 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.		
<i>Long service leave</i>		
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	1.490%	1.003%
- inflation rate	2.250%	1.083%
(b) Landfill restoration	2021	2020
	\$'000	\$'000
Current	2,813	50
Non-current	10,435	10,745
	13,248	10,795
Council is obligated to restore the Angelsea 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	1.156%	0.667%
- inflation rate	2.046%	1.261%
5.6 Financing arrangements	2021	2020
	\$'000	\$'000
The Council has the following funding arrangements in place as at the end of the financial year:		
Bank overdraft	2,300	2,300
Credit card facilities	100	100
Other facilities	19,021	21,170
Total facilities	21,421	23,570
Used facilities	(19,033)	(21,185)
Unused facilities	2,388	2,385

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5.7 Commitments

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

	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
2021					
Operating					
Waste management	3,876	1,164	-	-	5,040
Consultancies	146	-	-	-	146
Other	1,155	1,007	97	-	2,259
Total	5,177	2,171	97	-	7,445
Capital					
Construction	2,928	-	-	-	2,928
Consultancies	103	-	-	-	103
Waste management	7	-	-	-	7
Other	1,328	-	-	-	1,328
Total	4,366	-	-	-	4,366
2020					
Operating					
Waste management	4,293	2,308	834	-	7,433
Consultancies	111	3	-	-	114
Other	953	147	135	4	1,239
Total	5,357	2,456	969	4	8,786
Capital					
Construction	12,078	-	-	-	12,078
Consultancies	19	-	-	-	19
Other	890	-	-	-	890
Total	12,987	-	-	-	12,987

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5.8 Leases

At inception of a contract, all entities would assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To identify whether a contract conveys the right to control the use of an identified asset, it is necessary to assess whether:

- The contract involves the use of an identified asset;
- The customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The customer has the right to direct the use of the asset.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

As a lessee, Council recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentives received; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an appropriate incremental borrowing rate. Generally, Council uses an appropriate incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that Council is reasonably certain to exercise, lease payments in an optional renewal period if Council is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless Council is reasonably certain not to terminate early.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-Use Assets	Fleet	Property	IT equipment	Waste	Total
	\$'000	\$'000	\$'001	\$'000	\$'000
Balance at 1 July 2019	430	467	23	256	1,176
Additions	285	-	-	-	285
Disposals	-	-	-	-	-
Amortisation charge	(277)	(156)	(6)	(144)	(583)
Balance at 30 June 2020	<u>438</u>	<u>311</u>	<u>17</u>	<u>112</u>	<u>878</u>
Balance at 1 July 2020	438	311	17	112	878
Additions	-	96	-	-	96
Disposals	-	-	(17)	-	(17)
Amortisation charge	(244)	(160)	-	(112)	(516)
Balance at 30 June 2021	<u>194</u>	<u>247</u>	<u>-</u>	<u>-</u>	<u>441</u>
Lease Liabilities	2021	2020			
	\$'000	\$'000			
Maturity analysis - contractual undiscounted cash flows					
Less than one year	230	444			
One to five years	173	387			
More than five years	37	59			
Total undiscounted lease liabilities as at 30 June:	<u>440</u>	<u>890</u>			
Lease liabilities included in the Balance Sheet at 30 June:					
Current	230	444			
Non-current	210	446			
Total lease liabilities	<u>440</u>	<u>890</u>			

Short-term and low value leases

Council has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets (individual assets worth less than existing capitalisation thresholds for a like asset up to a maximum of AUD\$10,000), including IT equipment. Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

	2021	2020
	\$'000	\$'000
Expenses relating to:		
Short-term leases	19	-
Leases of low value assets	289	52
Total	<u>308</u>	<u>52</u>
Variable lease payments (not included in measurement of lease liabilities)	-	-

Non-cancellable lease commitments - Short-term and low-value leases

Commitments for minimum lease payments for short-term and low-value leases are payable as follows:

Payable:		
Within one year	245	52
Later than one year but not later than five years	245	-
Total lease commitments	<u>490</u>	<u>52</u>

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Note 6 Assets we manage

2021	2020
\$'000	\$'000

6.1 Non-current assets classified as held for sale

Fair value of assets classified as held for sale	-	290
Total non-current assets classified as held for sale	-	290

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

	At Fair Value 1 July 2020 \$'000	Additions \$'000	Contributions \$'000	Found \$'000	Revaluation \$'000	Depreciation \$'000	Disposal \$'000	Write-off \$'000	Transfers \$'000	At Fair Value 30 June 2021 \$'000
Property	283,525	8,149	1,806	6	14,861	(3,444)	-	(494)	6,804	311,213
Plant and equipment	5,579	1,307	-	-	-	(1,712)	(87)	(1)	201	5,287
Infrastructure	489,054	7,689	7,322	695	12,377	(10,800)	(4)	(1,569)	2,642	507,406
Work in progress	11,083	4,387	-	-	-	-	-	(366)	(9,647)	5,457
	789,241	21,532	9,128	701	27,238	(15,956)	(91)	(2,430)	-	829,363

Summary of Work in Progress	Opening WIP \$'000	Additions \$'000	Write-off \$'000	Transfers \$'000	Closing WIP \$'000
Property	6,873	2,268	(48)	(6,667)	2,426
Plant and equipment	1,043	632	(316)	(201)	1,158
Infrastructure	3,167	1,487	(2)	(2,779)	1,873
Total	11,083	4,387	(366)	(9,647)	5,457

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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	\$'000
At fair value 1 July 2020	154,290	4,580	53,941	212,811	99,405	13,278	112,683	6,873	332,367
Accumulated depreciation at 1 July 2020	-	-	-	-	(36,802)	(5,167)	(41,969)	-	(41,969)
	154,290	4,580	53,941	212,811	62,603	8,111	70,714	6,873	290,398
Recognition of previously unrecognised assets	-	-	-	-	6	-	6	-	6
Accumulated depreciation on previously unrecognised assets	-	-	-	-	-	-	-	-	-
	154,290	4,580	53,941	212,811	62,609	8,111	70,720	6,873	290,404
Movements in fair value									
Additions	-	-	60	60	7,875	214	8,089	2,268	10,417
Contributions	1,350	-	456	1,806	-	-	-	-	1,806
Revaluation	12,006	414	2,441	14,861	-	-	-	-	14,861
Disposal	-	-	-	-	-	-	-	-	-
Write-off	(46)	-	(304)	(350)	(474)	(18)	(492)	(48)	(890)
Transfers	(1)	-	-	(1)	6,928	2	6,930	(6,667)	262
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-
	13,309	414	2,653	13,723	14,329	198	14,527	(4,447)	26,456
Movements in accumulated depreciation									
Depreciation	-	-	-	-	(3,054)	(390)	(3,444)	-	(3,444)
Accumulated depreciation of disposals	-	-	-	-	-	-	-	-	-
Accumulated depreciation of write offs	-	-	-	-	335	13	348	-	348
Revaluation	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	(125)	-	(125)	-	(125)
	-	-	-	-	(2,844)	(377)	(3,221)	-	(3,221)
At fair value 30 June 2021	167,599	4,994	56,594	229,187	113,740	13,476	127,216	2,426	358,829
Accumulated depreciation at 30 June 2021	-	-	-	-	(39,646)	(5,544)	(45,190)	-	(45,190)
	167,599	4,994	56,594	229,187	74,094	7,932	82,026	2,426	313,639

Note opening balance of Land specialised and Land non specialised restated to correct classification of land parcel.

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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 2020	8,470	1,475	3,809	1,043	14,797
Accumulated depreciation at 1 July 2020	(4,221)	(1,069)	(2,885)	-	(8,175)
	4,249	406	924	1,043	6,622
Movements in fair value					
Additions	1,044	-	263	632	1,939
Disposal	(495)	-	-	-	(495)
Write-off	(1)	-	(115)	(316)	(432)
Transfers	-	-	201	(201)	-
	548	-	349	115	1,012
Movements in accumulated depreciation					
Depreciation	(1,112)	(148)	(452)	-	(1,712)
Accumulated depreciation of disposals	408	-	-	-	408
Accumulated depreciation of write offs	-	-	115	-	115
	(704)	(148)	(337)	-	(1,189)
At fair value 30 June 2021	9,018	1,475	4,158	1,158	15,809
Accumulated depreciation at 30 June 2021	(4,925)	(1,217)	(3,222)	-	(9,364)
	4,093	258	936	1,158	6,445

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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 2020	435,715	5,276	34,491	105,871	27,431	17,863	11,145	7,836	3,167	648,795
Accumulated depreciation at 1 July 2020	(89,815)	(2,547)	(8,628)	(32,390)	(11,246)	(6,753)	(1,209)	(3,986)	-	(156,574)
	345,900	2,729	25,863	73,481	16,185	11,110	9,936	3,850	3,167	492,221
Recognition of previously unrecognised assets	-	-	-	97	28	570	-	-	-	695
Accumulated depreciation on previously unrecognised assets	-	-	-	-	-	-	-	-	-	-
	345,900	2,729	25,863	73,578	16,213	11,680	9,936	3,850	3,167	492,916
Movements in fair value										
Additions	4,904	252	798	230	485	806	214	-	1,487	9,176
Contributions	2,850	-	789	3,301	3	355	24	-	-	7,322
Revaluation	-	-	3	-	11,705	(3)	-	-	-	11,705
Disposal	-	-	-	(1)	(1)	(2)	-	-	-	(4)
Write-off	(2,734)	-	(80)	(45)	(313)	(650)	-	-	(2)	(3,824)
Transfers	1,892	188	126	103	(1,415)	1,471	153	-	(2,779)	(261)
	6,912	440	1,636	3,588	10,464	1,977	391	-	(1,294)	24,114
Movements in accumulated depreciation										
Depreciation	(5,801)	(74)	(588)	(1,346)	(1,354)	(826)	(165)	(646)	-	(10,800)
Revaluation	-	-	2,226	-	(1,424)	(130)	-	-	-	672
Accumulated depreciation of write offs	1,631	-	30	7	226	359	-	-	-	2,253
Transfers	1	-	-	-	861	(736)	(2)	-	-	124
	(4,169)	(74)	1,668	(1,339)	(1,691)	(1,333)	(167)	(646)	-	(7,751)
At fair value 30 June 2021	442,627	5,716	36,127	109,556	37,923	20,410	11,536	7,836	1,873	673,604
Accumulated depreciation at 30 June 2021	(93,984)	(2,621)	(6,960)	(33,729)	(12,937)	(8,086)	(1,376)	(4,632)	-	(164,325)
	348,643	3,095	29,167	75,827	24,986	12,324	10,160	3,204	1,873	509,279

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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.

Asset recognition thresholds and depreciation periods

		Depreciation Period	Threshold Limit
(a) Property			\$'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
(b) Plant and Equipment			
Plant, machinery and equipment		2 - 15 years	1
Fixtures, fittings and furniture		3 - 10 years	1
Computers and telecommunications		3 - 10 years	1
(c) Infrastructure			
Formation		NA	5
Sealed Road Pavements	High Traffic	90 years	5
	Low Traffic	100 years	5
	Concrete	40 years	5
Unsealed Road Pavements	High Traffic	16 years	5
	Low Traffic	20 - 25 years	5
Seals	Spray Seal	15 - 18 years	5
	Asphalt	25 - 30 years	5
Road Shoulders	Unsealed Pavement	50 years	5
Road Kerb and Channel		70 years	5
Traffic Control Devices		25 - 80 years	5
Bridges and Major Culverts	Major Culverts	25 - 80 years	5
	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
	Wetlands and WSUD	10 - 80 years	5
Recreation, leisure and community facilities		10 - 50 years	5
Parks, Open Spaces and streetscapes		10 - 50 years	5
Off Street car parks	Sealed Pavement	100 years	5
	Unsealed Pavement	20 years	5
	Seals	15 - 30 years	5
Waste Management		Units of Use	5
Leased Assets		2 - 45 years	5

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Land under roads

Council recognises land under roads it controls at fair value.

Depreciation

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

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

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

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.

Repairs and maintenance

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

Valuation of land and buildings

Valuation of land were undertaken by a qualified independent valuer, Opteon as at 30 June 2021. 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 March 2019.

Market conditions are changing and there is significant market uncertainty due to Covid-19 notwithstanding real estate markets are less volatile than financial markets. It is too early to fully quantify the extent of the impact on the economy and real estate market. These valuations are current at the date of valuation.

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

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

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

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2021 are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Date of Valuation
Land	-	4,994	-	30/06/2021
Specialised land	-	-	167,599	30/06/2021
Land Under Roads	-	-	56,594	30/06/2021
Buildings	-	7,932	74,094	31/03/2019
Total	-	12,926	298,287	

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Valuation of infrastructure

Valuation of Road and Bridge assets has been determined in accordance with a valuation undertaken by independent valuer, Pavement Management Services, Pitt and Sherry and the Strategic Asset Manager, Mr John Bertoldi B E (Civil) as at 1 July 2019. Valuation of Footpath assets has been determined in accordance with a valuation undertaken by Infrastructure Management Group as at 31 December 2020. 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 31 December 2020. 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 2021 are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Date of Valuation
Roads	-	-	348,643	1/07/2019
Bridges	-	-	3,095	1/07/2019
Footpaths and cycleways	-	-	29,167	31/12/2020
Drainage and sewerage	-	-	75,827	1/07/2018
Recreational, leisure and community facilities	-	-	24,986	31/12/2020
Parks, open space and streetscapes	-	-	12,324	31/12/2020
Off street car parks	-	-	10,160	1/07/2019
Waste management	-	-	3,204	30/06/2019
Total	-	-	507,406	

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 0% 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 \$0.37 and \$1,833.33 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 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 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.

	2021 \$'000	2020 \$'000
Reconciliation of specialised land		
Parks and reserves	141,427	110,788
Public use	22,839	38,075
Waste	647	417
Car Parks	2,686	5,010
Total specialised land	167,599	154,290

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6.3 Investments in associates	2021	2020
	\$'000	\$'000
(a) Investments in associates		
Investments in associates accounted for by the equity method are:		
- Geelong Regional Library Corporation	291	538
Geelong Regional Library Corporation		
<i>Background</i>		
The Geelong Regional Library Corporation (GRLC) was formed under the provisions of sections 196 and 197 of the Local Government Act, 1989 on 4 March 1997 to provide library services within the local government areas of: Borough of Queenscliffe, City of Greater Geelong, Golden Plains Shire and Surf Coast Shire. Council holds 2.79% (2020 4.01%) 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.		
Fair value of Council's investment in Geelong Regional Library Corporation	291	538
Council's share of accumulated surplus/(deficit)		
Council's share of accumulated surplus/(deficit) at start of year	538	431
Council's share of reported surplus/(deficit) for year	(247)	107
Council's share of accumulated surplus/(deficit) at end of year	291	538
Movement in carrying value of specific investment		
Carrying value of investment at start of year	538	431
Share of surplus/(deficit) for year	(247)	107
Carrying value of investment at end of year	291	538

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

Committees of management

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

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

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	2021 No.	2020 No.
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 - (01/07/2020 to 30/06/2021) Mayor (01/07/2020 to 22/09/2020)		
Councillor Clive Goldsworthy (01/07/2020 to 22/09/2020)		
Councillor David Bell (01/07/2020 to 22/09/2020)		
Councillor Martin Duke (01/07/2020 to 22/09/2020)		
Councillor Brian McKitterick (01/07/2020 to 22/09/2020)		
Councillor James McIntyre (01/07/2020 to 22/09/2020)		
Councillor Tony Revell (01/07/2020 to 22/09/2020)		
Councillor Margot Smith (01/07/2020 to 22/09/2020)		
Councillor Heather Wellington (01/07/2020 to 30/06/2021)		
Councillor Libby Stapleton - Mayor (10/11/2020 to current)		
Councillor Liz Pattison (12/10/2020 to current)		
Councillor Gary Allen (10/11/2020 to current)		
Councillor Paul Barker (12/11/2020 to current)		
Councillor Mike Bodsworth (12/11/2020 to current)		
Councillor Kate Gazzard (11/11/2020 to current)		
Councillor Adrian Schonfelder (10/11/2020 to current)		
Key management personnel		
Chief Executive Officer - Keith Baillie (01/07/2020 to 31/07/2020), Anne Howard (01/08/2020 to current)		
General Manager Governance & Infrastructure - Anne Howard (01/07/2020 to 31/07/2020), John Bertoldi (01/08/2020 to current)		
General Manager Culture & Community - Chris Pike		
General Manager Environment & Development - Ransce Salan		
Total number of Councillors	16	9
Total of Chief Executive Officer and other key management personnel	5	4
Total number of key management personnel	21	13
(c) Remuneration of key management personnel		
	2021	2020
	\$'000	\$'000
Total remuneration of key management personnel was as follows:		
Short-term benefits	1,210	1,251
Post-employment benefits	86	89
Long-term benefits	22	22
Total	1,317	1,362
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:		
	2021	2020
	\$'000	\$'000
\$10,000 - \$19,999	13	-
\$20,000 - \$29,999	2	8
\$50,000 - \$59,999	2	-
\$90,000 - \$99,999	-	1
\$210,000 - \$219,999	1	-
\$230,000 - \$239,999	1	1
\$240,000 - \$249,999	-	2
\$250,000 - \$259,999	1	-
\$280,000 - \$289,999	1	-
\$320,000 - \$329,999	-	1
	21	13

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Surf Coast Shire 2020/2021 Financial Report		Notes to the Financial Report For the Year Ended 30 June 2021	
		2021 \$'000	2020 \$'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 \$151,000			
The number of Senior Officers are shown below in their relevant income bands:			
Income Range:		2021 No.	2020 No.
\$151,000 - \$159,999		6	11
\$160,000 - \$169,999		5	2
		<u>11</u>	<u>13</u>
Total Remuneration for the reporting year for Senior Officers included above, amounted to		1,752	2,037
7.2 Related party disclosure		2021 \$'000	2020 \$'000
(a) Transactions with related parties			
During the period Council entered into the following arms length transactions with related parties:			
Contributions are paid by the Surf Coast Shire Council to the Geelong Regional Library Corporation. Please refer to details in Note 6.3			
		793	763
Employee expenses includes a staff member who is a related party of a member of Key Management Personnel. The employee does not report to KMP and was paid in accordance with the Surf Coast Shire Enterprise Agreement at the standard rate for the job they performed.			
		95	87
Purchase of goods and services under normal trading terms			
		-	3
Payment of community grants under normal trading terms			
		-	4
Fees for the use of Council facilities & fleet under normal trading terms			
		14	10
Community group contribution to Capital Works			
		-	33
All of the above transactions were at arms length and in the normal course of Council business			
(b) Outstanding balances with related parties			
There are no balances outstanding at the end of the reporting period in relation to transactions with related parties			
(c) Loans to/from related parties			
There are no loans in existence at balance date that have been made, guaranteed or secured by the council to a related party.			
(d) Commitments to/from related parties			
There are no commitments in existence at balance date that have been made, guaranteed or secured by the council to a related party.			

4.1 Annual Performance Statement and Financial Statements 2020-21

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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.

(a) Contingent assets

Operating lease receivables

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

	2021 \$'000	2020 \$'000
Not later than one year	94	79
Later than one year and not later than five years	313	254
Later than five years	383	311
	<u>790</u>	<u>644</u>

(b) Contingent liabilities

Superannuation

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

Future superannuation contributions

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2021. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ended 30 June 2022 are \$39,962.63.

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 participant of the MAV Liability Mutual Insurance (LMI) Scheme. The LMI scheme provides public liability and professional indemnity insurance cover. The LMI scheme states that each participant will remain liable to make further contributions to the scheme in respect of any insurance year in which it was a participant to the extent of its participant's share of any shortfall in the provision set aside in respect of that insurance year, and such liability will continue whether or not the participant remains a participant in future insurance years.

(c) Guarantees to other entities

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

	2021 \$'000	2020 \$'000
Contract Performance:		
Department of Minerals and Energy	20	20
Department of Energy and Resources	50	50
	<u>70</u>	<u>70</u>

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

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

4.1 Annual Performance Statement and Financial Statements 2020-21

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8.2 Change in accounting standards

Certain new Australian Accounting Standards and interpretations have been published that are not mandatory for the 30 June 2021 reporting period. Council assesses the impact of these new standards. As at 30 June 2021 there were no new accounting standards or interpretations issued by the AASB which are applicable for the year ending 30 June 2022 that are expected to impact Council.

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 to the financial statements. Risk management is carried out by senior management under policies approved by the Council. These policies include identification and analysis of the risk exposure to Council and appropriate procedures, controls and risk minimisation.

(b) Market risk

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

Interest rate risk

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

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

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

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

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

(c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause Council to make a financial loss. Council have exposure to credit risk on some financial assets included in the balance sheet. Particularly significant areas of credit risk exist in relation to outstanding fees and fines and receivables from sporting clubs and associations. To help manage this risk:

- council has 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(c).

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.

4.1 Annual Performance Statement and Financial Statements 2020-21

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(d) Liquidity risk

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

To help reduce these risks Council:

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

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 8.1(c), and is deemed insignificant based on prior periods' data and current assessment of risk.

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

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 5.4.

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

(e) Sensitivity disclosure analysis

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

- A parallel shift of + 0.25% and - 0.10% in market interest rates (AUD) from year-end rates of 0.10%.
- 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.

8.4 Fair value measurement

Fair value hierarchy

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

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

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

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

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

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

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

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

Revaluation

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

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

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

Impairment of assets

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

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8.5 Events occurring after balance date

The Covid-19 pandemic has continued to develop over 2021 with the new delta variant. After balance date Victoria has experienced a significant number of cases and the State Government's measures to contain the virus has included lock downs which significantly impact the way we do business. The lockdowns occurring after the reporting period are classified as non-adjusting events.

Council has complied with, and will continue to comply with, State Government guidance for lockdowns closing facilities to the public as required, including recreational facilities and libraries. Permits have been issued for authorised workers and where possible staff are working from home. As required kindergarten, family day care and occasional care centres have been closed except for authorised workers or for vulnerable children. Some events have been cancelled, others postponed. Where possible services such as Visitor Information Centres and health club programs have gone on-line.

Due to the significant uncertainty surrounding Covid-19 and the Government's response to this, it is not possible to measure the full impact on Council's operations, financial position and cash flows at this time.

Council will monitor and report on the non-financial and financial impacts of COVID-19 on its operations and will apply for any government support funding it is eligible for.

Note 9 Other matters

9.1 Reserves

(a) Asset revaluation reserves

2021

Property

Land	108,321	12,420	120,741
Land under roads	-	2,441	2,441
Buildings	29,449	-	29,449
	<u>137,770</u>	<u>14,861</u>	<u>152,631</u>

Infrastructure

Furniture and equipment	32	-	32
Roads	114,685	-	114,685
Bridges	1,893	-	1,893
Footpaths and cycleways	9,988	2,229	12,217
Drainage and sewerage	29,762	-	29,762

Recreational, leisure and community facilities

Parks, open space and streetscapes	7,871	10,281	18,152
Offstreet car parks	2,371	(133)	2,238
	<u>1,712</u>	<u>-</u>	<u>1,712</u>

Intangibles

Waste Air Space	10,602	(978)	9,624
	<u>178,916</u>	<u>11,399</u>	<u>190,315</u>

Total asset revaluation reserves

	<u>316,686</u>	<u>26,260</u>	<u>342,946</u>
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2020

Property

Land	108,321	-	108,321
Buildings	29,449	-	29,449
	<u>137,770</u>	<u>-</u>	<u>137,770</u>

Infrastructure

Furniture and equipment	32	-	32
Roads	134,970	(20,285)	114,685
Bridges	2,667	(774)	1,893
Footpaths and cycleways	9,988	-	9,988
Drainage and sewerage	29,762	-	29,762

Recreational, leisure and community facilities

Parks, open space and streetscapes	7,871	-	7,871
Offstreet car parks	2,371	-	2,371
	<u>2,360</u>	<u>(648)</u>	<u>1,712</u>

Intangibles

Waste Air Space	1,245	9,357	10,602
	<u>191,266</u>	<u>(12,350)</u>	<u>178,916</u>

Total asset revaluation reserves

	<u>329,036</u>	<u>(12,350)</u>	<u>316,686</u>
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The asset revaluation reserve is used to record the fair value movement of Council's assets over time.

4.1 Annual Performance Statement and Financial Statements 2020-21

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	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
(b) Other reserves				
2021				
Open space	2,496	1,015	(518)	2,993
Main drainage	210	-	-	210
Developer contributions	690	5	(317)	378
Airey's Inlet aged care units	312	12	-	324
Waste	9,470	3,319	(3,271)	9,518
Gravel pits	2,650	190	(325)	2,515
Defined benefits superannuation	1,124	50	-	1,174
Carried forward capital works	18,281	25,240	(18,281)	25,240
Carried forward operational projects	4,151	2,439	(4,151)	2,439
Adopted strategy implementation	5,876	2,541	(3,408)	5,009
Asset renewal	2,362	9,656	(9,317)	2,701
Torquay Jan Juc Developer Contributions	4,908	3,398	(4,398)	3,908
Winchelsea infrastructure plan	870	217	-	1,087
Annual Leave Cash Reserve	-	326	-	326
Accumulated unallocated cash	2,435	1,472	(414)	3,493
Total other reserves	55,835	49,880	(44,400)	61,315
2020				
Open space	2,332	329	(165)	2,496
Main drainage	210	-	-	210
Home care packages	179	-	(179)	-
Developer contributions	728	251	(289)	690
Airey's Inlet aged care units	313	9	(10)	312
Waste	9,250	3,460	(3,240)	9,470
Gravel pits	2,618	997	(965)	2,650
Defined benefits superannuation	1,074	50	-	1,124
Carried forward capital works	22,047	18,281	(22,047)	18,281
Carried forward operational projects	1,460	4,151	(1,460)	4,151
Adopted strategy implementation	4,603	4,049	(2,776)	5,876
Asset renewal	1,269	9,633	(8,540)	2,362
Torquay Jan Juc Developer Contributions	3,364	4,705	(3,161)	4,908
Winchelsea infrastructure plan	649	221	-	870
Accumulated unallocated cash	1,085	3,149	(1,799)	2,435
Total other reserves	51,181	49,285	(44,631)	55,835

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(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
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 1988
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
Home care packages reserve	To meet Councils obligation under Commonwealth legislation to carry any unspent individual client funds into future periods.
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 collected are specifically identified for projects via s173 agreement.
Aireys Inlet units reserve	The funding source for the maintenance of social housing for disadvantaged low income earners. Four social housing units currently exist in Aireys Inlet. Council has an obligation to hold these funds under the Housing Act 1983
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.
Torquay Jan Juc Developer Contributions reserve	All funds in relation to the Torquay/Jan Juc Developer Plan, including Council contributions.
Winchelsea infrastructure plan reserve	To provide Council allocated funding based on the Winchelsea Infrastructure needs.
Annual Leave Cash Reserve	To provide a cash reserve for the amount of employee annual leave accrued during the financial year but not taken during the same period. It will be used to offset the cash impacts in future periods when such annual leave is taken.
Accumulated unallocated cash reserve	To separately identify Council's Unallocated Cash.

4.1 Annual Performance Statement and Financial Statements 2020-21

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	2021 \$'000	2020 \$'000
9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus/(deficit) for the year	12,966	9,949
Depreciation	15,956	16,031
Amortisation - intangibles	3,329	4,154
Amortisation - right of use	516	583
Profit/(loss) on disposal of property, infrastructure, plant and equipment	(193)	(349)
Assets Written off	2,430	3,817
Found Assets	(701)	-
Finance costs	406	3,528
Finance costs - leases	25	65
Contributions - Non-monetary assets	(9,128)	(12,786)
Share of net profits/(losses) of Geelong Regional Library Corporation	247	(107)
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	1,273	(1,944)
(Increase)/decrease in prepayments	(239)	(43)
(Increase)/decrease in accrued income	146	260
(Increase)/decrease in inventories	(3)	(2)
Increase/(decrease) in trade and other payables	(558)	2,418
Increase/(decrease) in other liabilities	-	(179)
Increase/(decrease) in unearned income	11,603	720
Increase/(decrease) in provisions	2,851	297
Increase/(decrease) in trust funds and deposits	(1,023)	5,672
Net cash provided by/(used in) operating activities	39,903	32,084

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 2021, 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, 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.

A triennial actuarial review for the Defined Benefit category as at 30 June 2020 was conducted and completed by the due date of 31 December 2020. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 104.6%. The financial assumptions used to calculate the VBI were:

Net investment returns	5.6% pa
Salary information	2.5 % pa for two years and 2.75% thereafter
Price inflation (CPI)	2.0% pa

As at 30 June 2021, an interim actuarial investigation is underway as the Fund provides lifetime pensions in the Defined Benefit category.

Vision Super has advised that the estimated VBI at June 2021 was 109.7%.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2020 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.

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Employer contributions

Regular contributions

On the basis of the results of the 2020 triennial actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2021, this rate was 9.5% of members' salaries (9.5% in 2019/2020). This rate is expected to increase in line with any increases in the SG contribution rate and was reviewed as part of the 30 June 2020 triennial valuation.

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 2020 triennial 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. A full investigation was conducted as at 30 June 2020.

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

	2020 (Triennial) \$m	2019 (Interim) \$m
A VBI surplus	100.0	151.3
A total service liability surplus	200.0	233.4
A discounted accrued benefits surplus	217.8	256.7

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 2020.

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 2020.

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 2020.

Council was notified of the 30 June 2020 VBI during August 2020 (2019: August 2019).

The 2021 interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2021 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2021.

4.1 Annual Performance Statement and Financial Statements 2020-21

Surf Coast Shire
2020/2021 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2021

10 Change in accounting policy

AASB 1059 Service Concession Arrangements: Grantors (AASB 1059) (applies 2020/21 for LG Sector)

Council has adopted AASB 1059 Service Concession Arrangements: Grantors, from 1 July 2020. This has resulted in no changes in accounting policies and adjustments to the amounts recognised in the financial statements.

AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material (applies 2020/21 for LG Sector)

Council has adopted AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material, from 1 July 2020. This has resulted in no changes in accounting policies and adjustments to the amounts recognised in the financial statements.

AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework (applies 2020/21 for LG Sector)

Council has adopted AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework from 1 July 2020. This has resulted in no changes in accounting policies and adjustments to the amounts recognised in the financial statements.

It is not expected that these standards will have any significant impact on council.

Close: There being no further items of business the meeting closed at 8:13pm.