

**Bass Coast Shire Council  
ANNUAL FINANCIAL REPORT**

*For the Year Ended 30 June 2018*

DRAFT 17-09-2018

**Bass Coast Shire Council  
Financial Report  
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## **Certification of the Financial Statements**

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

*David Filmatter CA*  
**Principal Accounting Officer**

**Date :** <Date>  
76 McBride Ave, Wonthaggi VIC 3995

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

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

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

*Cr Pamela Rothfield*  
**Councillor**

**Date :** <Date>  
76 McBride Ave,  
Wonthaggi VIC 3995

*Cr Brett Tessari*  
**Councillor**

**Date :** <Date>  
76 McBride Ave,  
Wonthaggi VIC 3995

*Paul Buckley PSM*  
**Chief Executive Officer**

**Date :** <Date>  
76 McBride Ave,  
Wonthaggi VIC 3995

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

	Note	2018 \$'000	2017 (restated) <sup>1</sup> \$'000
<b>Income</b>			
Rates and charges	3.1	55,323	52,332
Statutory fees and fines	3.2	2,457	2,052
User fees	3.3	4,140	4,755
Grants - operating	3.4	10,532	11,485
Grants - capital	3.4	2,890	4,381
Contributions - monetary	3.5	734	1,067
Contributions - non monetary	3.5	6,027	6,685
Share of net profits of associates	6.2	145	169
Other income	3.7	1,825	1,440
<b>Total income</b>		<b>84,073</b>	<b>84,366</b>
<b>Expenses</b>			
Employee costs	4.1	28,300	28,045
Materials and services	4.2	26,556	26,389
Depreciation and amortisation	4.3	13,829	14,078
Bad and doubtful debts	4.4	300	-
Borrowing costs	4.5	581	629
Net loss on disposal of property, infrastructure, plant and equipment	3.6	1,000	1,471
Other expenses	4.6	3,517	1,538
<b>Total expenses</b>		<b>74,083</b>	<b>72,150</b>
<b>Surplus for the year</b>		<b>9,990</b>	<b>12,216</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to surplus or deficit in future periods</b>			
Net asset revaluation increment	6.1	6,096	20,404
Share of other comprehensive income of associates	6.2	-	-
<b>Total comprehensive result</b>		<b>16,086</b>	<b>32,620</b>

<sup>1</sup> Council has restated the Comprehensive Income Statement to correct errors as outlined in Note 2

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

## Balance Sheet As at 30 June 2018

	Note	2018 \$'000	2017 (restated) <sup>1</sup> \$'000	1 July 2016 (restated) <sup>1</sup> \$'000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	5.1	46,653	38,168	26,342
Trade and other receivables	5.1	5,506	4,277	4,560
Other financial assets	5.1	40	40	40
Inventories	5.2	67	57	43
Other assets	5.2	1,117	878	589
<b>Total current assets</b>		<b>53,383</b>	<b>43,420</b>	<b>31,574</b>
<b>Non-current assets</b>				
Trade and other receivables	5.1	-	49	59
Investments in associates	6.2	1,463	1,318	1,149
Property, infrastructure, plant and equipment	6.1	616,616	607,169	583,466
Intangible assets	5.2	397	508	703
<b>Total non-current assets</b>		<b>618,476</b>	<b>609,044</b>	<b>585,377</b>
<b>Total assets</b>		<b>671,859</b>	<b>652,464</b>	<b>616,951</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	5.3	4,971	3,475	3,095
Trust funds and deposits	5.3	3,798	3,656	2,727
Provisions	5.5	6,668	7,299	6,713
Interest-bearing liabilities	5.4	5,782	1,113	1,045
<b>Total current liabilities</b>		<b>21,219</b>	<b>15,543</b>	<b>13,580</b>
<b>Non-current liabilities</b>				
Provisions	5.5	4,378	3,596	4,014
Interest-bearing liabilities	5.4	9,683	12,832	11,484
<b>Total non-current liabilities</b>		<b>14,061</b>	<b>16,428</b>	<b>15,498</b>
<b>Total liabilities</b>		<b>35,280</b>	<b>31,971</b>	<b>29,078</b>
<b>Net assets</b>		<b>636,579</b>	<b>620,493</b>	<b>587,873</b>
<b>Equity</b>				
Accumulated surplus		250,119	246,259	244,639
Reserves	9.1	386,460	374,234	343,234
<b>Total Equity</b>		<b>636,579</b>	<b>620,493</b>	<b>587,873</b>

<sup>1</sup> Council has corrected errors, that, as outlined in Note 2, required a restatement of infrastructure, plant and equipment and accumulated surplus as at 1 July 2016.

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

2018	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year <sup>(1)</sup>		620,493	246,259	338,277	35,957
Surplus for the year		9,990	9,990	-	-
Net asset revaluation increment	9.1(a)	6,096	-	6,096	-
Transfers to other reserves	9.1(b)	-	(16,930)	-	16,930
Transfers from other reserves	9.1(b)	-	10,800	-	(10,800)
<b>Balance at end of the financial year</b>		<b>636,579</b>	<b>250,119</b>	<b>344,373</b>	<b>42,087</b>

  

2017		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		584,566	241,332	317,873	25,361
Prior period property, infrastructure, plant and equipment adjustment <sup>(1)</sup>		3,307	3,307	-	-
Balance at beginning of the financial year restated		587,873	244,639	317,873	25,361
Surplus for the year <sup>(1)</sup>		12,216	12,216	-	-
Net asset revaluation increment	9.1(a)	20,404	-	20,404	-
Transfers to other reserves	9.1(b)	-	(19,105)	-	19,105
Transfers from other reserves	9.1(b)	-	8,509	-	(8,509)
<b>Balance at end of the financial year</b>		<b>620,493</b>	<b>246,259</b>	<b>338,277</b>	<b>35,957</b>

<sup>(1)</sup> Council has restated the Statement of Changes in Equity to correct errors as outlined in Note 2.1.



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

	Note	2018 Inflows / (Outflows) \$'000	2017 Inflows / (Outflows) \$'000
<b>Cash flows from operating activities</b>			
Rates and charges		55,481	52,624
Statutory fees and fines		2,457	2,052
User fees		2,925	5,277
Grants - operating		10,532	11,517
Grants - capital		2,890	4,515
Contributions - monetary		734	1,067
Interest received		954	690
Dividends received		19	2
Trust funds and deposits taken		12,196	12,333
Other receipts		1,646	366
Net GST refund		3,514	2,859
Employee costs		(28,276)	(27,762)
Materials and services		(28,505)	(30,234)
Trust funds and deposits repaid		(12,054)	(11,331)
Other payments		(4,926)	(1,037)
<b>Net cash provided by operating activities</b>		<b>19,587</b>	<b>22,938</b>
<b>Cash flows from investing activities</b>			
Payments for property, infrastructure, plant and equipment	6.1	(12,333)	(11,846)
Proceeds from sale of property, infrastructure, plant and equipment		292	358
<b>Net cash used in investing activities</b>		<b>(12,041)</b>	<b>(11,488)</b>
<b>Cash flows from financing activities</b>			
Finance costs		(581)	(634)
Proceeds from borrowings		4,818	2,185
Repayment of finance leases		(135)	(130)
Repayment of borrowings		(3,163)	(1,045)
<b>Net cash provided by financing activities</b>		<b>939</b>	<b>376</b>
Net increase in cash and cash equivalents		8,485	11,826
Cash and cash equivalents at the beginning of the financial year		38,168	26,342
<b>Cash and cash equivalents at the end of the financial year</b>		<b>46,653</b>	<b>38,168</b>
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.

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

	2018 \$'000	2017 \$'000
Land	248	161
Land improvements	2,079	-
<b>Total land</b>	<b>2,327</b>	<b>161</b>
Buildings	3,594	2,819
Building improvements	-	197
<b>Total buildings</b>	<b>3,594</b>	<b>3,016</b>
<b>Total property</b>	<b>5,921</b>	<b>3,177</b>
<b>Plant and equipment</b>		
Plant, machinery and equipment	590	1,235
Fixtures, fittings and furniture	4	96
Computers and telecommunications	64	60
Art works	238	-
<b>Total plant and equipment</b>	<b>896</b>	<b>1,391</b>
<b>Infrastructure</b>		
Roads	3,482	4,337
Bridges	118	162
Footpaths and cycleways	776	1,537
Drainage	195	305
Water Sensitive Urban Design	100	-
Recreational, leisure and community facilities	-	848
Waste management	848	65
Parks, open space and streetscapes	-	636
Off street car parks	-	90
Other infrastructure	-	20
<b>Total infrastructure</b>	<b>5,519</b>	<b>8,000</b>
<b>Total capital works expenditure</b>	<b>12,336</b>	<b>12,568</b>
<b>Represented by:</b>		
New asset expenditure	1,374	1,032
Asset renewal expenditure	6,369	7,662
Asset expansion expenditure	55	306
Asset upgrade expenditure	4,538	3,568
<b>Total capital works expenditure</b>	<b>12,336</b>	<b>12,568</b>

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

## OVERVIEW

### Introduction

The Bass Coast Shire Council was established by an Order of the Governor in Council on 1 December 1994 and is a body corporate.

The Council's main office is located at 76 McBride Avenue Wonthaggi VIC 3995.

### 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 6.1)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.1)
- the determination of employee provisions (refer to Note 5.5)
- the determination of landfill provisions (refer to Note 5.5)
- other areas requiring judgments

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.

Unless otherwise stated, amounts in the financial report have been rounded to the nearest thousand dollars. Figures in the financial statement may not equate due to rounding.

**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 \$1,000,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 21 June 2017. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

**1.1 Income and expenditure**

	Budget 2018 \$'000	Actual 2018 \$'000	Variance 2018 \$'000	Ref
<b>Income</b>				
Rates and charges	54,873	55,323	450	
Statutory fees and fines	1,804	2,457	653	1
User fees	5,110	4,140	(970)	2
Grants - operating	9,509	10,532	1,023	3
Grants - capital	2,265	2,890	625	4
Contributions - monetary	957	734	(223)	
Contributions - non monetary	43	6,027	5,984	5
Net gain / (loss) on disposal of property, infrastructure, plant and equipment	25	(1,000)	(1,025)	6
Share of net profits/(losses) of associates and joint ventures	-	145	145	7
Other income	1,380	1,825	445	8
<b>Total income</b>	<b>75,966</b>	<b>83,073</b>	<b>7,107</b>	
<b>Expenses</b>				
Employee costs	29,313	28,300	1,013	9
Materials and services	28,600	26,556	2,044	10
Bad and doubtful debts	-	300	(300)	
Depreciation and amortisation	12,235	13,829	(1,594)	11
Borrowing costs	730	581	149	
Other expenses	1,177	3,517	(2,340)	12
<b>Total expenses</b>	<b>72,055</b>	<b>73,083</b>	<b>(1,028)</b>	
<b>Surplus / (deficit) for the year</b>	<b>3,911</b>	<b>9,990</b>	<b>6,079</b>	

**(i) Explanation of material variations**

Variance Ref	Item	Explanation
1	Statutory Fees & Fines	Higher than budget statutory fees are mainly due to receiving a higher number of applications during the year, combined with higher than budget cost of works directly impacting fees.
2	User Fees	Lower than budget tonnage was received to landfill, reducing fees by \$330K. The remaining variance is attributable to an overstated budget for waste transfer station fees.
3	Grants - Operating	Largely due to the receipt of an unbudgeted Highball grant (\$900K).

4	Grants - Capital	Largely due to the unbudgeted receipt of the Bass Valley childrens centre grant (\$450K) during the year.
5	Contributions - non monetary	Non monetary developer contributed assests are received on completion of developments. These are not budgeted for due to uncertainty of timing. During the year Council received non monetary contributions of \$6,027K from, but not limited to, the following estates; Inlet Waters, WhyteSands, Island View and Penniwells.
6	Net gain / (loss) on disposal of property, infrastructure, plant and equipment	The additional loss on disposal of fixed assets relates to losses on disposal of assets that are replaced or partially replaced as part of the capital works program. The most significant losses on asset disposals were for Buildings \$392K and Pathways \$160K. The Buildings loss on disposal includes the sale of a portable with a book value of \$140K to the Wonthaggi Pony Club for a notional amount. In addition landfill rehabilitation costs of \$178K which had been incorrectly capitalised were written off.
7	Share of net profits/(losses) of associates and joint ventures	Council's share of net profits is dependant upon the performance of West Gippsland Regional Library Corporation. This is not budgeted for due to timing of the preparation of Council's budget.
8	Other Income	Largely due to investment income \$355K higher than budget as a result of there being additional funds available for investment.
9	Employee Costs	Employee costs are \$1,013K lower than budget due to unfilled vacancies and staff reductions. This is partly offset by unbudgeted restructuring costs.
10	Materials and Services	Expenses of \$1,790K have been re-allocated to Other Expenses during this year due improved data mapping achieved following a new system implementation. Budget is reported as per the budget document, meaning the variance against materials & services offsets against the variance for Other Expenses.
11	Depreciation and amortisation	This is due to depreciation being calculated on assets found (\$3M) during the year. See Note 2 for further information.
12	Other Expenses	Expenses of \$1,790K have been re-allocated from Materials and Services during this year due improved data mapping achieved with a new system implementation. Budget is reported as per the budget document, meaning the variance against Materials and Services offsets against the variance for Other Expenses.

Note 1 Performance against budget (cont'd)

1.2 Capital works

	Budget 2018 \$'000	Actual 2018 \$'000	Variance 2018 \$'000	Ref
<b>Property</b>				
Land	-	248	248	1
Land improvements	-	2,079	2,079	2
<b>Total Land</b>	<b>-</b>	<b>2,327</b>	<b>2,327</b>	
Buildings	6,521	3,594	(2,927)	3
<b>Total Buildings</b>	<b>6,521</b>	<b>3,594</b>	<b>(2,927)</b>	
<b>Total Property</b>	<b>6,521</b>	<b>5,921</b>	<b>(600)</b>	
<b>Plant and Equipment</b>				
Plant, machinery and equipment	1,830	590	(1,240)	4
Fixtures, fittings and furniture	-	4	4	
Computers and telecommunications	74	64	(10)	
Art works	50	238	188	
<b>Total Plant and Equipment</b>	<b>1,954</b>	<b>896</b>	<b>(1,058)</b>	
<b>Infrastructure</b>				
Roads	3,676	3,482	(194)	
Bridges	61	118	57	
Footpaths and cycleways	1,068	776	(292)	
Drainage	1,550	195	(1,355)	5
Water Sensitive Urban Design	-	100	100	
Recreational, leisure and community facilities	1,294	-	(1,294)	6
Waste management	2,035	848	(1,187)	7
Off street car parks	117	-	(117)	
Other infrastructure	342	-	(342)	
<b>Total Infrastructure</b>	<b>10,143</b>	<b>5,519</b>	<b>(4,624)</b>	
<b>Total Capital Works Expenditure</b>	<b>18,618</b>	<b>12,336</b>	<b>(6,282)</b>	
<b>Represented by:</b>				
New asset expenditure	3,206	1,374	(1,832)	
Asset renewal expenditure	10,199	6,369	(3,830)	
Asset expansion expenditure	2,285	55	(2,230)	
Asset upgrade expenditure	2,928	4,538	1,610	
<b>Total Capital Works Expenditure</b>	<b>18,618</b>	<b>12,336</b>	<b>(6,282)</b>	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	Land acquisition projects carried forward from 2016-17 include Pioneer Bay Drainage Strategy and Scenic Estate Master Plan
2	Land improvements	Land Improvements were previously budgeted under Recreation and Leisure. Projects that were carried over (funded) from the 2016-17 budget include the Cowes Jetty Triangle and Piazza Redevelopment \$1,092K and Thompson Reserve Sports Inverloch field lighting \$236K
3	Buildings	Phasing of multi-year projects including Cowes Transit Hub \$1.3M partly offset by additional expense on Wonthaggi Union Community Arts Centre (WUCAC). The Phillip Island Nature Park Commercial Office Development \$1.7M is no longer proceeding.

4	Plant, machinery and equipment	The variance is due to delays in fulfilling orders for items of plant and fleet
5	Drainage	Variance is due to delays in multi-year project Pioneer Bay Drainage Strategy Wetland/Retarding basin, and deferral of Pioneer Bay Drainage Strategy outfall works
6	Recreational, leisure and community facilities	Land Improvements, Rail trail bridges and Artworks previously budgeted under Recreation and Leisure
7	Waste management	Delays in construction of Grantville Landfill Cell 7 final lining works as a result of appropriate weather conditions being required

**Note 2 Correction to prior year**

**2.1 Prior period error**

**(a) Correction of error**

Following the revaluation of the Land Improvement asset class, previously unrecognised (found) assets with a value of \$6.9M were identified. These found assets were partly offset by the identification of duplicated assets (car parks) with a value of \$3.9M.

**(b) Property, infrastructure plant and equipment**

	1 July 2016 as reported \$'000	Property, infrastructure, plant and equip \$'000	1 July 2016 restated \$'000
<b>Balance sheet extract</b>			
<b>Non-current assets</b>			
Property, infrastructure, plant and equipment	580,159	3,307	583,466
<b>Total assets</b>	<b>613,644</b>	<b>3,307</b>	<b>616,951</b>
<b>Net assets</b>	<b>584,566</b>	<b>3,307</b>	<b>587,873</b>
<b>Equity</b>			
Accumulated surplus	241,332	3,307	244,639
<b>Total equity</b>	<b>584,566</b>	<b>3,307</b>	<b>587,873</b>

	2017 as reported \$'000	Property, infrastructure, plant and equip \$'000	2017 restated \$'000
<b>Comprehensive income statement extract</b>			
<b>Expenses</b>			
Depreciation and amortisation	13,784	294	14,078
<b>Total expenses</b>	<b>71,856</b>	<b>294</b>	<b>72,150</b>
<b>Surplus / (deficit) for the year</b>	<b>12,510</b>	<b>(294)</b>	<b>12,216</b>
<b>Total comprehensive result</b>	<b>32,914</b>	<b>(294)</b>	<b>32,620</b>

	30 June 2017 as reported \$'000	Property, infrastructure, plant and equip \$'000	30 June 2017 restated \$'000
<b>Balance sheet extract</b>			
<b>Non-current assets</b>			
Property, infrastructure, plant and equipment	604,156	3,013	607,169
<b>Total assets</b>	<b>649,449</b>	<b>3,013</b>	<b>652,464</b>
<b>Net assets</b>	<b>617,480</b>	<b>3,013</b>	<b>620,493</b>
<b>Equity</b>			
Accumulated surplus	243,246	3,013	246,259
<b>Total equity</b>	<b>617,480</b>	<b>3,013</b>	<b>620,493</b>



**Note 3 Funding for the delivery of our services**

**3.1 Rates and charges**

Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is its estimated market value. The valuation base used to calculate general rates for 2017/18 was \$11,645 million (2016/17 \$11,419 million).

	2018 \$'000	2017 \$'000
General Rates	44,991	43,359
Waste management charge	9,477	8,168
Supplementary rates and rate adjustments	584	508
Interest on rates and charges	203	231
Revenue in lieu of rates	68	66
<b>Total rates and charges</b>	<b>55,323</b>	<b>52,332</b>

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

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

**3.2 Statutory fees and fines**

Permits	1,159	918
Infringements and costs	216	228
Town planning fees	972	761
Land information certificates	110	145
<b>Total statutory fees and fines</b>	<b>2,457</b>	<b>2,052</b>

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

**3.3 User fees**

Waste management services	1,786	2,132
Aged and health services	534	579
Leisure centre and recreation	889	911
Other fees and charges	931	1,133
<b>Total user fees</b>	<b>4,140</b>	<b>4,755</b>

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

**3.4 Funding from other levels of government**

Grants were received in respect of the following :

**Summary of grants**

Commonwealth funded grants	9,102	12,244
State funded grants	4,320	3,622
<b>Total grants received</b>	<b>13,422</b>	<b>15,866</b>

**(a) Operating Grants**

**Recurrent - Commonwealth Government**

Financial Assistance Grants	6,394	8,512
Aged care	626	1,281
General home care	851	-

**Recurrent - State Government**

Aged care	-	1,015
General home care	257	242
Assessment	570	-
Respite and carers support	159	-
Environment	2	52
Community health	32	23
Community safety	60	-
Other	77	-

<b>Total recurrent operating grants</b>	<b>9,028</b>	<b>11,125</b>
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	2018 \$'000	2017 \$'000
<b>Non-recurrent - Commonwealth Government</b>		
Environment	-	9
Other	17	-
<b>Non-recurrent - State Government</b>		
Environment	300	-
Community safety	21	49
Drainage	42	45
Tourism and economic development	-	43
Community health	-	18
Transport network	-	13
Footpaths and cycleways	34	10
Waste management	-	8
Family and children	1	-
Recreation	989	-
Other	100	165
<b>Total non-recurrent operating grants</b>	<b>1,504</b>	<b>360</b>
<b>Total operating grants</b>	<b>10,532</b>	<b>11,485</b>
<b>(b) Capital Grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Roads to recovery	1,206	2,427
<b>Total recurrent capital grants</b>	<b>1,206</b>	<b>2,427</b>
<b>Non-recurrent - Commonwealth Government</b>		
Recreation	8	-
Transport network	-	15
<b>Non-recurrent - State Government</b>		
Transport network	695	1,285
Education	450	501
Drainage	-	100
Environment	-	40
Recreation	531	13
<b>Total non-recurrent capital grants</b>	<b>1,684</b>	<b>1,954</b>
<b>Total capital grants</b>	<b>2,890</b>	<b>4,381</b>
<b>(c) Unspent grants received on condition that they be spent in a specific manner</b>		
Balance at start of year	265	1,824
Received during the financial year and remained unspent at balance date	1,176	63
Received in prior years and spent during the financial year	(190)	(1,622)
<b>Balance at year end</b>	<b>1,251</b>	<b>265</b>

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

### 3.5 Contributions

Monetary	734	1,067
Non-monetary	6,027	6,685
<b>Total contributions</b>	<b>6,761</b>	<b>7,752</b>
<i>Contributions of non monetary assets were received in relation to the following asset classes:</i>		
Land	-	105
Land Improvements	77	-
Buildings	-	40
Roads	3,154	-
Infrastructure	2,796	6,540
<b>Total non-monetary contributions</b>	<b>6,027</b>	<b>6,685</b>

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

	2018	2017
	\$'000	\$'000
<b>3.6 Net gain / (loss) on disposal of property, infrastructure, plant and equipment</b>		
Proceeds of sale	292	340
Written down value of assets disposed	(1,292)	(1,811)
<b>Total net gain / (loss) on disposal of property, infrastructure, plant and equipment</b>	<b>(1,000)</b>	<b>(1,471)</b>

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	954	687
Rating valuation recovery from State Revenue Office	79	366
Other rent	56	75
Dividends	19	2
Other	717	310
<b>Total other income</b>	<b>1,825</b>	<b>1,440</b>

Interest is recognised as it is earned.

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

## Note 4 The cost of delivering services

### 4.1 Employee costs

Wages and salaries	21,854	20,933
Annual leave	2,107	2,475
Superannuation	2,341	2,161
Long service leave	428	698
WorkCover	681	590
Fringe benefits tax	183	189
Other	706	999
<b>Total employee costs</b>	<b>28,300</b>	<b>28,045</b>

### (b) Superannuation

Council made contributions to the following funds:

#### Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	182	209
<b>Total defined benefit fund employer contributions</b>	<b>182</b>	<b>209</b>
Employer contributions payable at reporting date	-	-

#### Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	1,548	1,395
Employer contributions - other funds	569	564
<b>Total accumulation fund employer contributions</b>	<b>2,117</b>	<b>1,959</b>
Employer contributions payable at reporting date	198	88

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

	2018 \$'000	2017 \$'000
<b>4.2 Materials and services</b>		
Contractor payments	9,244	11,050
Building maintenance	4	-
General maintenance	1,917	4,689
Utilities	707	205
Office administration	396	-
Information technology	1,350	902
Insurance	574	482
Consultants	1,006	-
Banking and financing fees	253	180
Subscriptions and memberships	222	137
Advertising	256	59
Cost of goods sold	98	81
Legal and debt recovery	573	222
Staff development and recruitment	699	474
Waste management	6,407	744
Communications	369	-
Library	1,795	1,760
Property leases	347	251
Consumables	317	2,835
Other	22	2,318
<b>Total materials and services</b>	<b>26,556</b>	<b>26,389</b>

**4.3 Depreciation and amortisation**

Property	2,675	3,625
Plant and equipment	1,095	1,195
Infrastructure	9,948	9,063
<b>Total depreciation</b>	<b>13,718</b>	<b>13,883</b>
Intangible assets	111	195
<b>Total depreciation and amortisation</b>	<b>13,829</b>	<b>14,078</b>

Refer to note 5.2 (c) and 6.1 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

**4.4 Bad and doubtful debts**

Other debtors	300	-
<b>Total bad and doubtful debts</b>	<b>300</b>	<b>-</b>

**Movement in provisions for doubtful debts**

Balance at the beginning of the year	42	420
New provisions recognised during the year	342	-
Amounts already provided for and written off as uncollectible	-	(378)
Amounts provided for but recovered during the year	(42)	-
<b>Balance at end of year</b>	<b>342</b>	<b>42</b>

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

**4.5 Borrowing costs**

Interest - borrowings	581	629
<b>Total borrowing costs</b>	<b>581</b>	<b>629</b>

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.

	2018 \$'000	2017 \$'000
<b>4.6 Other expenses</b>		
Landfill levy	645	787
Land management rebate	612	611
Councillors' allowances	301	272
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	118	37
Auditors' remuneration - Internal	30	32
Fire services levy	75	77
Contributions to other organisations	1,284	-
Pensioner rebates	-	-
Operating lease rentals	20	-
Refund of unexpended grants	3	-
Financing discount costs	429	(278)
Assets written-off / impaired	-	-
Others	-	-
<b>Total other expenses</b>	<b>3,517</b>	<b>1,538</b>

**Note 5 Our financial position**

**5.1 Financial assets**

**(a) Cash and cash equivalents**

Cash on hand	6	6
Cash at bank	10,647	6,662
Term deposits	36,000	31,500
<b>Total cash and cash equivalents</b>	<b>46,653</b>	<b>38,168</b>

**(b) Other financial assets**

Shares in community bank	40	40
<b>Total other financial assets</b>	<b>40</b>	<b>40</b>
<b>Total financial assets</b>	<b>46,693</b>	<b>38,208</b>

Council's cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:

- Trust funds and deposits (Note 5.3)	3,798	3,656
- Statutory reserves (Note 9.1)	3,394	3,182
- Contractually restricted reserves (Note 9.1)	1,422	1,338
Total restricted funds	8,614	8,176
<b>Total unrestricted cash and cash equivalents</b>	<b>38,039</b>	<b>29,992</b>

**Intended allocations**

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

- Cash held to fund carried forward capital works (Note 9.1)	9,899	5,370
- Identified reserves (Note 9.1)	16,011	13,178
- Discretionary reserves (Note 9.1)	11,361	12,889
<b>Total funds subject to intended allocations</b>	<b>37,271</b>	<b>31,437</b>

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.

	2018 \$'000	2017 \$'000
<b>(c) Trade and other receivables</b>		
<b>Current</b>		
<b>Statutory receivables</b>		
Rates debtors	2,106	2,216
Provision for doubtful debts - rates	-	(42)
Special rate assessment	609	729
Fire services levy debtors	257	228
Net GST receivable	580	343
<b>Non statutory receivables</b>		
Other debtors	2,246	803
Provision for doubtful debts - other debtors	(292)	-
<b>Total current trade and other receivables</b>	<b>5,506</b>	<b>4,277</b>
<b>Non-current</b>		
<b>Non statutory receivables</b>		
Loans and advances to community organisations	49	49
Provision for doubtful debts - other debtors	(49)	-
<b>Total non-current trade and other receivables</b>	<b>-</b>	<b>49</b>
<b>Total trade and other receivables</b>	<b>5,506</b>	<b>4,326</b>

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.

**(d) Ageing of Receivables**

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

Current (not yet due)	1,761	584
Past due by up to 30 days	106	33
Past due between 31 and 180 days	80	45
Past due between 181 and 365 days	7	11
Past due by more than 1 year	-	180
<b>Total trade &amp; other receivables</b>	<b>1,954</b>	<b>853</b>

**(e) Ageing of individually impaired Receivables**

At balance date, non statutory receivables representing financial assets with a nominal value of \$341K (2017: \$0) were impaired. The amount of the provision raised against these debtors was \$341K (2017: \$0). They individually have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

The ageing of receivables that have been individually determined as impaired at reporting date was:

Current (not yet due)	49	-
Past due by up to 30 days	-	-
Past due between 31 and 180 days	-	-
Past due between 181 and 365 days	116	-
Past due by more than 1 year	176	-
<b>Total trade &amp; other receivables</b>	<b>341</b>	<b>-</b>

	2018 \$'000	2017 \$'000
<b>5.2 Non-financial assets</b>		
<b>(a) Inventories</b>		
Inventories held for sale	67	57
<b>Total inventories</b>	<b>67</b>	<b>57</b>
<p>Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. All other inventories, including land held for sale, are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.</p>		
<b>(b) Other assets</b>		
Prepayments	1,022	285
Accrued income	95	593
<b>Total other assets</b>	<b>1,117</b>	<b>878</b>
<b>(c) Intangible assets</b>		
Landfill air space	397	508
<b>Total intangible assets</b>	<b>397</b>	<b>508</b>
<b>Gross carrying amount</b>		
Balance at the beginning of the year	1,213	1,213
<b>Balance at the end of the financial year</b>	<b>1,213</b>	<b>1,213</b>
<b>Accumulated amortisation and impairment</b>		
Balance at the beginning of the year	705	510
Amortisation expense	111	195
<b>Balance at the end of the financial year</b>	<b>816</b>	<b>705</b>
<b>Net book value at 30 June</b>	<b>397</b>	<b>508</b>

Intangible assets with finite lives are amortised as an expense on a systematic basis over the asset's useful life. Amortisation is generally calculated on a straight line 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

<b>(a) Trade and other payables</b>		
Trade payables	4,188	2,389
Accrued expenses	783	1,026
Prepaid income	-	60
<b>Total trade and other payables</b>	<b>4,971</b>	<b>3,475</b>
<b>(b) Trust funds and deposits</b>		
Retention amounts	90	-
Other refundable deposits	626	610
Fire services levy	814	568
Refundable deposits	2,268	2,478
<b>Total trust funds and deposits</b>	<b>3,798</b>	<b>3,656</b>

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

#### **Purpose and nature of items**

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

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

Retention Amounts - Council has a contractual right to retain certain amounts until a contractor has met certain requirements or a related warrant or defect period has elapsed. Subject to the satisfactory completion of the contractual obligations, or the elapsing of time, these amounts will be paid to the relevant contractor in line with Council's contractual obligations.

	2018 \$'000	2017 \$'000
<b>5.4 Interest-bearing liabilities</b>		
<b>Current</b>		
Borrowings - secured	5,641	978
Finance leases	141	135
<b>Total current interest-bearing liabilities</b>	<b>5,782</b>	<b>1,113</b>
<b>Non-current</b>		
Borrowings - secured	9,683	12,691
Finance leases	-	141
<b>Total non-current interest-bearing liabilities</b>	<b>9,683</b>	<b>12,832</b>
<b>Total interest-bearing liabilities</b>	<b>15,465</b>	<b>13,945</b>

Borrowings are secured against the rates and other income of Council.

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

Not later than one year	5,641	978
Later than one year and not later than five years	7,037	7,735
Later than five years	2,646	4,956
<b>Total borrowings</b>	<b>15,324</b>	<b>13,669</b>

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.

**(b) The maturity profile for Council's finance lease liabilities is:**

Not later than one year	144	144
Later than one year and not later than five years	-	147
<b>Total finance leases</b>	<b>144</b>	<b>291</b>

Minimum future lease payments	144	291
Less future finance charges	(3)	(15)
<b>Present value of minimum lease payments</b>	<b>141</b>	<b>276</b>

IT hardware is leased on fixed lease payments for terms ranging from 4 to 5 years. Each lease has the option to purchase at the end of the lease term for \$1.

**5.5 Provisions**

	Employee \$ '000	Landfill restoration \$ '000	Total \$ '000
<b>2018</b>			
Balance at beginning of the financial year	8,137	2,757	10,894
Additional provisions	3,306	568	3,874
Amounts used	(3,561)	-	(3,561)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(23)	(139)	(162)
<b>Balance at the end of the financial year</b>	<b>7,859</b>	<b>3,186</b>	<b>11,045</b>
<b>2017</b>			
Balance at beginning of the financial year	7,691	3,035	10,726
Additional provisions	3,490	-	3,490
Amounts used	(3,017)	-	(3,017)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(27)	(278)	(305)
<b>Balance at the end of the financial year</b>	<b>8,137</b>	<b>2,757</b>	<b>10,894</b>



	2018 \$'000	2017 \$'000
<b>(a) Employee provisions</b>		
<b>Current provisions expected to be wholly settled within 12 months</b>		
Annual leave	1,915	1,965
Long service leave	825	598
Termination benefits	212	-
Leave in lieu	185	142
<b>Total current provisions expected to be wholly settled within 12 months</b>	<b>3,137</b>	<b>2,705</b>
<b>Current provisions expected to be wholly settled after 12 months</b>		
Annual leave	598	750
Long service leave	2,866	3,793
<b>Total current provisions expected to be wholly settled after 12 months</b>	<b>3,464</b>	<b>4,543</b>
<b>Total current employee provisions</b>	<b>6,601</b>	<b>7,248</b>
<b>Non-current</b>		
Long service leave	1,258	889
<b>Total non-current employee provisions</b>	<b>1,258</b>	<b>889</b>
<b>Aggregate carrying amount of employee provisions:</b>		
Current	6,601	7,248
Non-current	1,258	889
<b>Total aggregate carrying amount of employee provisions</b>	<b>7,859</b>	<b>8,137</b>

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

**Wages and salaries and annual leave**

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

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

**Long service leave**

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

**Key assumptions:**

	2018	2017
- discount rate (%)	1.91 - 2.63	1.61 - 2.59
- index rate (%)	2.50 - 3.25	2.50 - 3.50
- average settlement period	2.4 years	2.3 years
- inflation rate (%)	2.25 - 2.50	2.00-2.50

**(b) Landfill restoration**

Current	67	51
Non-current	3,120	2,707
<b>Total landfill restoration provision</b>	<b>3,187</b>	<b>2,758</b>

Council is obligated to restore Grantville 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:**

	2018	2017
- discount rate (%)	1.91 - 2.70	1.61 - 2.74
- inflation rate (%)	2.25 - 2.50	2.00-2.50
- estimated cost to rehabilitate ('000s)	2,752	2,805
- settlement period	11.70	11.20

	2018 \$'000	2017 \$'000
<b>5.6 Financing arrangements</b>		
The Council has the following funding arrangements in place as at 30 June 2018:		
Bank overdraft	1,000	1,000
Credit card facilities	400	400
<b>Total facilities</b>	<b>1,400</b>	<b>1,400</b>
Used facilities	60	45
Unused facilities	1,340	1,355
<b>Total facilities</b>	<b>1,400</b>	<b>1,400</b>

#### 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
<b>2018</b>					
<b>Operating</b>					
Garbage & recycling collection	8,535	8,877	26,631	36,987	81,030
Software licencing	2,180	1,098	134	134	3,546
Leisure centre management	821	851	-	-	1,672
Cleaning contracts for council buildings	384	-	-	-	384
Consultancies	237	296	-	-	533
Electricity supply	168	220	-	-	388
Other	336	156	-	-	492
<b>Total operating commitments</b>	<b>12,661</b>	<b>11,498</b>	<b>26,765</b>	<b>37,121</b>	<b>88,045</b>
<b>Capital</b>					
Buildings	3,637	-	-	-	3,637
Land Improvements	47	-	-	-	47
Waste Management	476	-	-	-	476
<b>Total capital commitments</b>	<b>4,160</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,160</b>
<b>Total commitments</b>	<b>16,821</b>	<b>11,498</b>	<b>26,765</b>	<b>37,121</b>	<b>92,205</b>
<b>2017</b>					
<b>Operating</b>					
Garbage collection	5,855	5,673	28,363	28,363	68,254
Software licencing	1,259	948	2,467	356	5,030
Leisure centre management	790	790	829	-	2,409
Cleaning contracts for council buildings	522	480	2,071	-	3,073
Recycling	578	-	-	-	578
Consultancies	384	-	-	-	384
Electricity supply	215	-	-	-	215
Other	80	80	240	-	400
<b>Total operating commitments</b>	<b>9,683</b>	<b>7,971</b>	<b>33,970</b>	<b>28,719</b>	<b>80,343</b>
<b>Capital</b>					
Buildings	395	-	-	-	395
Roads	83	-	-	-	83
Drainage	10	-	-	-	10
<b>Total capital commitments</b>	<b>488</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>488</b>
<b>Total commitments</b>	<b>10,171</b>	<b>7,971</b>	<b>33,970</b>	<b>28,719</b>	<b>80,831</b>

	<b>2018</b>	<b>2017</b>
<b>(a) Operating lease commitments</b>	<b>\$'000</b>	<b>\$'000</b>

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

Not later than one year	256	292
Later than one year and not later than five years	267	522
<b>Total operating lease commitments</b>	<b>523</b>	<b>814</b>

Lease payments for operating leases are expensed in the years in which they are incurred.

#### Note 6 Assets we manage

##### 6.1 Property, infrastructure, plant and equipment

###### Summary of property, infrastructure, plant and equipment

	At fair value 30								Reclass-	At fair value 30
	June 2017	Additions	Contributions	Revaluation	Depreciation	Disposal	Write-off	Transfers	ification	June 2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property	222,052	-	77	3,666	(2,675)	(402)	-	5,185	(4,141)	223,762
Plant and equipment	6,942	-	-	2,288	(1,146)	(335)	-	826	134	8,709
Infrastructure	375,473	-	5,950	143	(9,905)	(368)	(179)	4,694	4,007	379,815
Work in progress	2,702	13,421	-	-	-	-	(1,088)	(10,705)	-	4,330
<b>Total property, infrastructure, plant and equipment</b>	<b>607,169</b>	<b>13,421</b>	<b>6,027</b>	<b>6,097</b>	<b>(13,726)</b>	<b>(1,105)</b>	<b>(1,267)</b>	<b>-</b>	<b>-</b>	<b>616,616</b>

###### Summary of Work in Progress

	Opening WIP	Additions	Write-off	Transfers	Reclass-ification	Closing WIP
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property	1,900	6,419	(497)	(5,185)	(45)	2,592
Plant and equipment	32	896	-	(826)	-	102
Infrastructure	770	6,106	(591)	(4,694)	45	1,636
<b>Total work in progress</b>	<b>2,702</b>	<b>13,421</b>	<b>(1,088)</b>	<b>(10,705)</b>	<b>-</b>	<b>4,330</b>

(a) Asset recognition thresholds and depreciation periods

	Depreciation period Years	Threshold limit \$'000
<b>Land &amp; land improvements</b>		
Land	-	-
Land under roads	-	-
Land improvements	15 - 100	5
<b>Buildings</b>		
Buildings (long and short life components)	10 - 200	10
<b>Plant and Equipment</b>		
Plant, machinery and equipment	5 - 10	10
Fixtures, fittings and furniture	3 - 10	5
Computers and telecommunications	3 - 10	5
Art works	20 - 100	5
<b>Infrastructure</b>		
Roads	10 - 100	10
Bridges and major culverts	50 - 100	10
Pathways, cycleways and trails	15 - 60	1 - 3
Drainage	25 - 100	5
Waste management	7 - 50	10
Water sensitive urban design	25 - 200	10
<b>Intangible assets</b>		
Landfill airspace	3 - 20	10

(b) Property

	Land - specialised \$'000	Land - non specialised \$'000	Land under roads \$'000	Land improvements \$'000	Total land & land improvements \$'000	Buildings - specialised \$'000	Other structures \$'000	Total buildings \$'000	Work in progress \$'000	Total property \$'000
At fair value 1 July 2017	115,389	4,267	19,035	26,305	164,996	84,677	10,356	95,033	1,900	261,929
Accumulated depreciation at 1 July 2017	-	-	-	(8,611)	(8,611)	(25,088)	(4,278)	(29,366)	-	(37,977)
	115,389	4,267	19,035	17,694	156,385	59,589	6,078	65,667	1,900	223,952
<b>Movements in fair value</b>										
Additions	-	-	-	-	-	-	-	-	6,419	6,419
Contributions	-	-	-	77	77	-	-	-	-	77
Revaluation	-	-	-	5,741	5,741	(3,621)	-	(3,621)	-	2,120
Disposal	-	-	-	(13)	(13)	(665)	-	(665)	-	(678)
Write-off	-	-	-	-	-	-	-	-	(497)	(497)
Transfers	174	-	-	441	615	4,570	-	4,570	(5,185)	-
Reclassification	-	-	-	4,364	4,364	-	(10,356)	(10,356)	(45)	(6,037)
	174	-	-	10,610	10,784	284	(10,356)	(10,072)	692	1,404
<b>Movements in accumulated depreciation</b>										
Depreciation and Amortisation	-	-	-	(1,289)	(1,289)	(1,386)	-	(1,386)	-	(2,675)
Accumulated depreciation of revaluations	-	-	-	298	298	1,248	-	1,248	-	1,546
Accumulated depreciation of disposals	-	-	-	3	3	273	-	273	-	276
Accumulated depreciation of reclassifications	-	-	-	(2,427)	(2,427)	-	4,278	4,278	-	1,851
	-	-	-	(3,415)	(3,415)	135	4,278	4,413	-	998
At fair value 30 June 2018	115,563	4,267	19,035	36,915	175,780	84,961	-	84,961	2,592	263,333
Accumulated depreciation at 30 June 2018	-	-	-	(12,026)	(12,026)	(24,953)	-	(24,953)	-	(36,979)
<b>Total property</b>	<b>115,563</b>	<b>4,267</b>	<b>19,035</b>	<b>24,889</b>	<b>163,754</b>	<b>60,008</b>	<b>-</b>	<b>60,008</b>	<b>2,592</b>	<b>226,354</b>

(c) Plant and Equipment

	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Art works	Work in progress	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2017	10,886	1,485	1,305	361	32	14,069
Accumulated depreciation at 1 July 2017	(4,926)	(1,270)	(843)	(56)	-	(7,095)
	5,960	215	462	305	32	6,974
<b>Movements in fair value</b>						
Additions	-	-	-	-	896	896
Revaluation	-	-	-	2,828	-	2,828
Disposal	(887)	(15)	-	(56)	-	(958)
Write-off	-	-	-	-	-	-
Transfers	590	-	64	172	(826)	-
Reclassification	-	-	-	483	-	483
Impairment losses recognised in operating result	-	-	-	-	-	-
	(297)	(15)	64	3,427	70	3,249
<b>Movements in accumulated depreciation</b>						
Depreciation and Amortisation	(928)	(45)	(130)	(43)	-	(1,146)
Accumulated depreciation of revaluations	-	-	-	(540)	-	(540)
Accumulated depreciation of disposals	580	3	-	40	-	623
Accumulated depreciation of reclassifications	-	-	-	(349)	-	(349)
	(348)	(42)	(130)	(892)	-	(1,412)
At fair value 30 June 2018	10,589	1,470	1,369	3,788	102	17,318
Accumulated depreciation at 30 June 2018	(5,274)	(1,312)	(973)	(948)	-	(8,507)
<b>Total plant and equipment</b>	<b>5,315</b>	<b>158</b>	<b>396</b>	<b>2,840</b>	<b>102</b>	<b>8,811</b>

(d) Infrastructure

	Roads \$'000	Pathways, cycleways and trails \$'000	Bridges \$'000	Drainage \$'000	Waste management \$'000	Water sensitive urban design \$'000	Work in progress \$'000	Total infrastructure \$'000
At fair value 1 July 2017	382,693	-	41,863	94,808	263	6,483	770	526,880
Accumulated depreciation at 1 July 2017	(122,355)	-	(11,901)	(15,030)	(9)	(1,342)	-	(150,637)
	260,338	-	29,962	79,778	254	5,141	770	376,243
<b>Movements in fair value</b>								
Additions	-	-	-	-	-	-	6,106	6,106
Contributions	3,154	615	-	992	-	1,189	-	5,950
Revaluation	(7,376)	8,159	(12)	(1,825)	-	(126)	-	(1,180)
Disposal	(485)	(247)	(44)	(57)	-	(161)	-	(994)
Write-off	-	-	-	-	(230)	-	(591)	(821)
Transfers	3,443	800	75	206	70	100	(4,694)	-
Reclassification	(24,162)	25,251	-	-	4,420	-	45	5,554
	(25,426)	34,578	19	(684)	4,260	1,002	866	14,615
<b>Movements in accumulated depreciation</b>								
Depreciation and Amortisation	(7,166)	(656)	(513)	(972)	(415)	(183)	-	(9,905)
Accumulated depreciation of revaluations	4,429	(3,383)	3	321	-	(47)	-	1,323
Accumulated depreciation of disposals	431	86	12	12	-	85	-	626
Accumulated depreciation of write-offs	-	-	-	-	51	-	-	51
Accumulated depreciation of reclassifications	3,775	(3,879)	-	-	(1,398)	-	-	(1,502)
	1,469	(7,832)	(498)	(639)	(1,762)	(145)	-	(9,407)
At fair value 30 June 2018	357,267	34,578	41,882	94,124	4,523	7,485	1,636	541,495
Accumulated depreciation at 30 June 2018	(120,886)	(7,832)	(12,399)	(15,669)	(1,771)	(1,487)	-	(160,044)
<b>Total infrastructure</b>	<b>236,381</b>	<b>26,746</b>	<b>29,483</b>	<b>78,455</b>	<b>2,752</b>	<b>5,998</b>	<b>1,636</b>	<b>381,451</b>

#### 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. The thresholds for Land Improvements and Art works were reviewed as part of the condition assessment and revaluation conducted in October 2017 and reduced from \$10,000 to \$5,000. Thresholds for other asset classes are consistent with the prior year.

#### Land under roads

Council recognises land under roads it controls at fair value.

#### Depreciation and amortisation

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 below and are consistent with the prior year unless otherwise stated.

#### Finance leases

Leases of assets where substantially all the risks and rewards incidental to ownership of the asset are transferred to the Council are classified as finance leases. Finance leases are capitalised, recording an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments, including any guaranteed residual value. Lease payments are allocated between the reduction of the lease liability and the interest expense.

Leased assets are depreciated on a straight line basis over their estimated useful lives to the Council where it is likely that the Council will obtain ownership of the asset or over the term of the lease, whichever is the shorter. Leased assets are currently being amortised over a 5 year period.

#### Repairs and maintenance

Routine maintenance, repair costs, and minor renewal costs are expensed as incurred. 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

The last valuation of land was undertaken by a qualified independent valuer, R. Anthony AAPI (valuer registration no. 1432) at 30 June 2013. An indexed based revaluation of land was conducted as at 30 June 2017. This valuation was based on the compounded impact of the movement in the land indices published by the Valuer-General Victoria since the last valuation undertaken by the independent valuer in 2013. A review of land value indice movements over the last year has confirmed that the valuation as at 30 June 2017 still materially reflects the fair value of this land.

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.

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.

Valuation of Land Improvements has been determined in accordance with an independent valuation undertaken by Assetic Pty Ltd at 31 October 2017.

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 last valuation of buildings was undertaken by qualified independent valuers, L. Black AAPI (registered valuer no. 2913) and D. Griggs AAPI (registered valuer no. 3204) at 30 June 2017. The valuation was amended in October 2017 to reflect new buildings and updated condition assessments as at 30 June 2017 due to works conducted between the valuer's site visit and 30 June 2017. The valuation of buildings is at fair value, being the price that would be received to sell an asset in an orderly transaction between market participants.

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

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

	Level 1	Level 2	Level 3	Date of Valuation
Land - specialised	-	-	115,563	06/2017
Land - non specialised	-	4,267	-	06/2017
Land under roads	-	-	19,035	06/2013
Land improvements	-	-	24,889	10/2017
Buildings - specialised	-	-	60,008	06/2017
Other structures	-	-	-	06/2013
Total	-	4,267	219,495	



#### Valuation of plant and equipment

The valuation of plant and equipment, except for art works, is at fair value based on cost less accumulated depreciation as at the balance sheet date. Valuation of artworks has been determined in accordance with an independent valuation undertaken by Assetic Pty Ltd at 31 October 2017. The date of the current valuation is detailed in the following table.

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

	Level 1	Level 2	Level 3	Date of Valuation
Plant machinery and equipment	5,315	-	-	-
Fixtures fittings and furniture	158	-	-	-
Computers and telecomms	396	-	-	-
Art works	-	-	2,840	10/2017
<b>Total</b>	<b>5,869</b>	<b>-</b>	<b>2,840</b>	

#### Valuation of infrastructure

The valuation of infrastructure assets is at fair value based on replacement cost less accumulated depreciation as at the date of valuation. Valuation of pathways, cycleways and trails has been determined in accordance with an independent valuation undertaken by Assetic Pty Ltd at 1 July 2017. The date of the current valuation is detailed in the following table.

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

	Level 1	Level 2	Level 3	Date of Valuation
Roads	-	-	236,381	06/2015
Pathways, cycleways and trails	-	-	26,746	07/2017
Bridges	-	-	29,483	06/2015
Drainage	-	-	78,455	06/2015
Waste management	-	-	2,752	06/2015
Water sensitive urban design	-	-	5,998	06/2015
<b>Total</b>	<b>-</b>	<b>-</b>	<b>379,815</b>	

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

**Specialised land and land under roads** is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 98%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$1 and \$870 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 cost is calculated on a square metre basis and ranges from \$200 to \$8,500 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 10 years to 200 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 7 years to 200 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	2018 \$'000	2017 \$'000
<b>Reconciliation of specialised land</b>		
Land under roads	19,035	19,035
Parks and reserves	71,952	71,778
Community facilities	16,609	16,609
Car parks	12,133	12,133
Civic centres	8,364	8,364
Caravan parks	5,459	5,460
Transfer stations and landfill sites	1,045	1,045
<b>Total specialised land</b>	<b>134,597</b>	<b>134,424</b>
<b>Reconciliation of non specialised land</b>		
Residential zoned land	2,398	2,398
Commercial zoned land	1,869	1,869
<b>Total non specialised land</b>	<b>4,267</b>	<b>4,267</b>

	2018 \$'000	2017 \$'000
<b>6.2 Investments in associates</b>		
<b>(a) Investments in associates</b>		
Investments in associates accounted for by the equity method are:		
- West Gippsland Regional Library Corporation	1,463	1,318
<b>West Gippsland Regional Library Corporation</b>		
<b>Background</b>		
The Council has a 36.11% interest in the West Gippsland Regional Library Corporation, which operates a library service for a number of municipalities.		
<b>Fair value of Council's investment in West Gippsland Regional Library Corporation</b>	<u>1,463</u>	<u>1,318</u>
<b>Council's share of accumulated surplus</b>		
Council's share of accumulated surplus at start of year	984	940
Reported surplus for year	136	154
Change in proportion of equity (based on agreement)	7	(110)
<b>Council's share of accumulated surplus at end of year</b>	<u>1,127</u>	<u>984</u>
<b>Council's share of reserves</b>		
Council's share of reserves at start of year	334	209
Transfers to other reserves	-	107
Change in proportion of reserves (based on agreement)	2	18
<b>Council's share of reserves at end of year</b>	<u>336</u>	<u>334</u>
<b>Movement in carrying value of specific investment</b>		
Carrying value of investment at start of year	1,318	1,149
Share of surplus for year	136	154
Share of transfers to other reserves	-	107
Change in proportion of equity	9	(92)
<b>Carrying value of investment at end of year</b>	<u>1,463</u>	<u>1,318</u>
<b>Council's share of expenditure commitments</b>		
Operating commitments	14	-
Capital commitments	-	-
<b>Council's share of expenditure commitments</b>	<u>14</u>	<u>-</u>

At balance date, there were no contingent liabilities and contingent assets (2017:\$nil).

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.

	2018	2017
	No.	No.
<b>Note 7 People and relationships</b>		
<b>7.1 Council and key management remuneration</b>		

**(a) Related Parties**

**Parent entity**

Bass Coast Shire Council

**Subsidiaries and Associates**

West Gippsland Regional Library Corporation

Interests in subsidiaries and associates are detailed in Note 6.2.

**(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:

<b>Councillors</b>	Councillor Pamela Rothfield (Mayor)		
	Councillor Brett Tessari		
	Councillor Bruce Kent		
	Councillor Clare Le Serve		
	Councillor Geoff Ellis		
	Councillor Julian Brown		
	Councillor Les Larke		
	Councillor Michael Whelan		
	Councillor Stephen Fullarton		
<b>Total Number of Councillors</b>		9	15
<b>Chief Executive Officer and other Key Management Personnel</b>		6	6
<b>Total Key Management Personnel</b>		15	21

The full time equivalent (FTE) of the Chief Executive Officer and other Key Management Personnel at 30 June 2018 was 5.5 FTE (30 June 2017 5.5 FTE).

	2018	2017
	\$'000	\$'000
<b>(c) Remuneration of Key Management Personnel</b>		
Total remuneration of key management personnel was as follows:		
Short-term benefits	1,684	1,663
Long-term benefits	267	318
<b>Total</b>	1,951	1,981

	2018	2017
	No.	No.

The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:

\$1 - \$9,999	-	4
\$10,000 - \$19,999	-	7
\$20,000 - \$29,999	8	3
\$40,000 - \$49,999	1	1
\$140,000 - \$149,999	1	-
\$150,000 - \$159,999	-	1
\$160,000 - \$169,999	1	-
\$190,000 - \$199,999	-	1
\$220,000 - \$229,999	1	2
\$230,000 - \$239,999	1	1
\$240,000 - \$249,999	1	-
\$330,000 - \$339,999	1	-
\$340,000 - \$349,999	-	1
	15	21

	2018	2017
	No.	No.
<b>(d) Senior Officer Remuneration</b>		
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 \$145,000		

The number of Senior Officers are shown below in their relevant income bands:

Income Range:

\$40,000 - \$49,999	-	1
\$145,000 - \$149,999	1	3
\$150,000 - \$159,999	6	4
\$160,000 - \$169,999	3	1
\$170,000 - \$179,999	1	1
	<u>11</u>	<u>10</u>

The senior officers above are not full time equivalent employees but are the number of people that have been in a senior officer position during the period. The full time equivalent senior officers at 30 June 2018 was 11 FTE (30 June 2017 9.0 FTE).

	2018	2017
	\$'000	\$'000
Total Remuneration for the reporting year for Senior Officers included above, amounted to:	1,435	1,447

## 7.2 Related party disclosure

### (a) Transactions with related parties

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

Rent	252	295
Library contributions	1,795	1,760
<b>Total transactions with related parties</b>	<u>2,047</u>	<u>2,055</u>

The rent is for commercial property with a lease term of 7 years. The arrangement is on normal commercial terms.

The library contribution is made to the West Gippsland Regional Library Corporation to operate the library service for a number of municipalities. Further details of this arrangement are provided in Note 6.2.

### (b) Outstanding balances with related parties

There were no outstanding balances payable from Council to related parties at the end of the reporting period in relation to transactions with related parties.

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

No loans have been made, guaranteed or secured by Council to a responsible person of Council, or a related party of a responsible person during the reporting period (2017: \$nil).

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

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

Rent	481	733
<b>Total commitments to related parties</b>	<u>481</u>	<u>733</u>

**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**

***Developer contributions***

Estimated developer contributions to be received in respect of estates currently under development: \$21,699K (2017 \$9,223K).

**(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***

In addition to the disclosed contributions, Bass Coast Shire Council has not paid any unfunded liability payments to Vision Super during the 2017/18 year (2016/17 \$Nil). There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2018.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2019 are \$146K

***Landfill***

Council operates a landfill site, and has provided for the potential obligation to carry out site rehabilitation works in the future as outlined in Note 5.5.

Council also has a number of closed landfill sites and will have to carry out site rehabilitation works in the future. At balance date Council is unable to accurately assess the financial implications of such works for these closed sites.

***Legal matters***

Council is presently involved in confidential legal matters, currently being conducted through Council's solicitors. As this is yet to be finalised, and the financial outcome is unable to be reliably estimated, no allowance for any contingency has been made in the financial report.

***Public liability and professional indemnity***

Council has no recognised contingent liabilities relating to public liability or professional indemnity. In the event of a claim and a judgement against Council, it is anticipated that Council's insurer would cover the claim, with Council contributing the policy excess only.

	2018	2017
	\$'000	\$'000
<b>(c) Guarantees for loans to other entities</b>		
Phillip Island Football Club	-	47
Department of Sustainability and Environment	5	5
Phillip Island Nature Parks	350	350
Environmental Protection Agency	811	811

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.

## 8.2 Change in accounting standards

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

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

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

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

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

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

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

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

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

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

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

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

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

## 8.3 Financial instruments

### **(a) Objectives and policies**

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

### **(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. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

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

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

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

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

**(c) Credit risk**

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

- Council have a policy for establishing credit limits for the entities Council deal with;
- Council may require collateral where appropriate; and
- Council only invest surplus funds with financial institutions which have a recognised credit rating that has been defined in Council's investment policy.

Receivables consist of a large number of customers, spread across the ratepayer, business and government sectors. Credit risk associated with the Council's financial assets is minimal because the main debtor is secured by a charge over the rateable property.

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

Council may also be subject to credit risk for transactions which are not included in the balance sheet, such as when Council provide a guarantee for another party. Details of our contingent liabilities are disclosed in Note 8.1(b).

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

**(d) Liquidity risk**

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

To help reduce these risks Council:

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

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 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 +1% and -0.25% in market interest rates (AUD) from year-end rates of 1.5%.

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.

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

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

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

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

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

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

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

##### **Revaluation**

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 1 to 5 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.

#### 8.5 Events occurring after balance date

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



Note 9 Other matters  
9.1 Reserves

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
<b>(a) Asset revaluation reserves</b>			
<b>2018</b>			
<b>Property</b>			
Land	101,625	-	101,625
Land under roads	3,209	-	3,209
Land improvements	3,156	7,821	10,977
Buildings	48,932	(2,372)	46,560
Other structures	1,782	(1,782)	-
	<u>158,704</u>	<u>3,667</u>	<u>162,371</u>
<b>Plant and equipment</b>			
Artworks	-	2,288	2,288
	<u>-</u>	<u>2,288</u>	<u>2,288</u>
<b>Infrastructure</b>			
Infrastructure	179,364	142	179,506
Library	209	-	209
	<u>179,573</u>	<u>142</u>	<u>179,715</u>
<b>Total asset revaluation reserves</b>	<b><u>338,277</u></b>	<b><u>6,096</u></b>	<b><u>344,373</u></b>
<b>2017</b>			
<b>Property</b>			
Land	89,192	12,433	101,625
Land under roads	3,209	-	3,209
Land improvements	3,156	-	3,156
Buildings	40,961	7,971	48,932
Other structures	1,782	-	1,782
	<u>138,300</u>	<u>20,404</u>	<u>158,704</u>
<b>Infrastructure</b>			
Infrastructure	179,364	-	179,364
Library	209	-	209
	<u>179,573</u>	<u>-</u>	<u>179,573</u>
<b>Total asset revaluation reserves</b>	<b><u>317,873</u></b>	<b><u>20,404</u></b>	<b><u>338,277</u></b>

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

Notes to the Financial Report  
For the Year Ended 30 June 2018

	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
<b>(b) Other reserves</b>				
<b>2018</b>				
<b>Statutory reserves</b>				
Car parking reserve	54	-	-	54
Resort and recreation reserve	3,128	212	-	3,340
	3,182	212	-	3,394
<b>Contractually restricted reserves</b>				
Capital lease commitments	604	124	(79)	649
Native vegetation offset reserve	48	57	(18)	87
Specific development contributions	686	-	-	686
	1,338	181	(97)	1,422
<b>Identified reserves</b>				
Constrained works (carry forward)	5,370	9,899	(5,370)	9,899
Drainage reserve	8	-	-	8
Future sustainability fund	36	633	-	669
Landfill rehabilitation	4,130	573	-	4,703
LGFV sinking fund	4,177	1,806	(470)	5,513
Long service leave	4,662	286	-	4,948
Non-standard street lighting reserve	165	5	-	170
	18,548	13,202	(5,840)	25,910
<b>Discretionary reserves</b>				
Art in public places	104	50	(67)	87
Highball development	1,500	900	-	2,400
Skate park	165	135	(300)	-
Strategic works	3,538	1,500	(2,126)	2,912
VGC grant received in advance	2,903	271	-	3,174
Uniting Grant - Bass Valley Childrens Centre	-	124	-	124
Unallocated surplus	4,679	355	(2,370)	2,664
	12,889	3,335	(4,863)	11,361
<b>Total Other reserves</b>	<b>35,957</b>	<b>16,930</b>	<b>(10,800)</b>	<b>42,087</b>
<b>2017</b>				
<b>Statutory reserves</b>				
Car parking reserve	54	-	-	54
Resort and recreation reserve	1,906	1,343	(121)	3,128
	1,960	1,343	(121)	3,182
<b>Contractually restricted reserves</b>				
Capital lease commitments	430	212	(38)	604
Inter Council Aboriginal Consultative Committee	19	-	(19)	-
Native vegetation offset reserve	39	25	(16)	48
Specific development contributions	205	553	(72)	686
	693	790	(145)	1,338
<b>Identified reserves</b>				
Constrained works (carry forward)	5,790	5,370	(5,790)	5,370
Drainage reserve	8	-	-	8
Future sustainability fund	609	-	(573)	36
Landfill rehabilitation	2,814	1,316	-	4,130
LGFV sinking fund	2,635	1,542	-	4,177
Long service leave	4,531	131	-	4,662
Non-standard street lighting reserve	152	13	-	165
	16,539	8,372	(6,363)	18,548
<b>Discretionary reserves</b>				
Art in public places	44	60	-	104
Highball development	-	1,500	-	1,500
Skate park	100	65	-	165
Strategic works	5,038	-	(1,500)	3,538
VGC grant received in advance	-	2,903	-	2,903
Unallocated surplus	987	4,072	(380)	4,679
	6,169	8,600	(1,880)	12,889
<b>Total Other reserves</b>	<b>25,361</b>	<b>19,105</b>	<b>(8,509)</b>	<b>35,957</b>

Other reserves represent an internal allocation of funds for future use. They are in essence a reflection of the funds Council has set aside to pay for some future activity. The name of each reserve and the purpose of each reserve (why Council has the reserve) is provided below.

Art in Public Places	Provision for funds to be allocated to the development and installation of major public art installations across the municipality.
Capital Lease Commitments	Where Council has leases that include a capital contribution obligation this reserve is to retain the annual allocation towards that contribution less any payments made.
Car Parking	Statutory reserve to be used for the development of car parking from specific developer contributions.
Constrained Works (Carry Forward)	This reserve is to recognise the funds allocated and received in prior financial periods that are committed to unfinished projects.
Drainage	Developer contributions towards drainage as part of planning agreements.
Future Sustainability Fund	These funds are to ensure allocations for specific future expenditures and where they aid in the future financial sustainability of the Bass Coast Shire.
Highball Development	These funds have been set aside the fund the future highball development at the Wonthaggi Senior Secondary College.
Landfill Rehabilitation	This reserve is to fund the rehabilitation of waste disposal sites.
LGFV Sinking Fund	To fund the repayment of LGFV bonds as the bonds come due for payment.
Long Service Leave	The purpose of this reserve is to ensure that the nominal long service leave balances owing to employees are fully funded and maintained.
Native Vegetation Offset	Funds sourced from certified Native Vegetation Offset Schemes and utilised to fund ongoing maintenance of Offset Reserves.
Non-standard Street Lighting	Developer contributions towards non-standard lighting installed and collected as part of planning agreements towards non-standard light renewal.
Resort & Recreation	Statutory reserve to be used for the development of recreational reserves and public open space, sourced from specific developer contributions.
Skate Parks	These funds have been set aside via council resolution for future works on municipal skate park facilities.
Specific Development Contributions	To capture funds provided by developers for future specific projects in accordance with planning agreements.
Strategic Works	These funds are intended for strategic works and acquisitions of new or expanded assets that are of an intergenerational nature.
VGC Grant Received in Advance	Victorian Grants Commission funding in relation to the next financial year paid in advance.
Unallocated Surplus	These funds are the funds that remain unallocated at the year end.
Uniting Grant - Bass Valley Childrens Centre	Grant received from Uniting for the purpose of funding operations and fit out costs at the Bass Valley Childrens Centre

	2018 \$'000	2017 \$'000
<b>9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)</b>		
Surplus for the year	9,990	12,216
Depreciation / amortisation	13,829	14,078
Loss on disposal of property, infrastructure, plant and equipment	1,000	1,471
Share of profits in associates	(145)	(169)
Contributions - non-monetary assets	(6,027)	(6,685)
Works in progress unable to be capitalised (expensed)	-	788
Non cash movement in finance leases	-	(123)
Borrowing costs	581	634
<i>Change in assets and liabilities:</i>		
(Increase) / decrease in trade and other receivables	(1,180)	293
Increase in inventories	(11)	(14)
(Increase) / decrease in prepayments	(737)	80
Decrease/(Increase) in accrued income	498	(387)
Increase / (decrease) in trade and other payables	1,496	(341)
Increase in trust funds and deposits	142	929
Increase in provisions	151	168
<b>Net cash provided by operating activities</b>	<b>19,587</b>	<b>22,938</b>

### 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 the Comprehensive Income Statement when they are made or due.

#### **Accumulation**

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

#### **Defined Benefit**

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

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

#### **Funding arrangements**

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

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

Vision Super has advised that the estimated VBI at 30 June 2018 was 106.0%.

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

### **Employer contributions**

#### *Regular contributions*

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

#### *Funding calls*

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

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

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

### **2017 triennial actuarial investigation surplus amounts**

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

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

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2017. Council was notified of the 30 June 2017 VBI during August 2017.

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.

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 the investigation date.

### **2018 interim actuarial investigation**

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

# **Bass Coast Shire Council**

## **Performance Statement**

For the year ended 30 June 2018

# Performance Statement

For the year ended 30 June 2018

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## **Description of municipality**

Bass Coast Shire Council is a local government authority incorporated under the Local Government Act 1989 (Vic). It is located about 130km south east of Melbourne and is bounded by Western Port in the north and west, Cardinia Shire in the north east, South Gippsland Shire in the east and Bass Strait in the south.

Bass Coast's main centres are Wonthaggi, Cowes (Phillip Island), Inverloch, San Remo and Grantville. In addition, the Shire comprises a further 28 towns.

Bass Coast is home to over 30,000 permanent residents. However, its proximity to Melbourne makes it also very attractive to visitors and to people wanting to make a sea change. During peak periods, our population swells to over 80,000. The Shire boasts many beautiful beaches, unique nature reserves and many major events that attract more than 3.4 million visitors each year, such as the Australian Motorcycle Grand Prix at the Phillip Island Circuit.

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## Sustainable Capacity Indicators

For the year ended 30 June 2018

<b>Results</b>					
<b>Indicator/measure</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Material Variations</b>
<b>Population</b>					
<i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$2,133.26	\$2,223.99	\$2,156.74	\$2,164.68	There has been a continuous increase in the municipal population over the four years. A high asset amortisation expense experienced in 2016 and the introduction of a new three tier bin system during 2018 both caused a slight rise in expenses in their respective years.
<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$13,994.15	\$13,736.93	\$13,531.68	\$13,232.71	A continuous increase in population has resulted in lower average values of infrastructure per head.
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	33.68	34.52	35.82	36.76	A continuous increase in population has resulted in a higher density per length of road.
<b>Own-source revenue</b>					
<i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$1,700.63	\$1,800.77	\$1,823.33	\$1,866.88	The introduction of a new three tier bin system during 2017/2018 has increased the amount of own source revenue per head of municipal population.



**Recurrent grants**

<i>Recurrent grants per head of municipal population</i>	\$357.21	\$240.13	\$406.76	\$298.97	Recurrent grants were elevated in 2016/17 due to the early receipt of half of the annual Commonwealth Financial Assistance Grant in that year.
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[Recurrent grants / Municipal population]

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**Disadvantage**

<i>Relative socio-economic disadvantage</i>	4.00	4.00	4.00	3.00
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[Index of Relative Socio-economic Disadvantage by decile]

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**Definitions**

"adjusted underlying revenue" means total income other than:

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

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

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

"population" means the resident population estimated by council

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

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

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

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

# Service Performance Indicators

For the year ended 30 June 2018

Results					Material Variations
Service/indicator/measure	2015	2016	2017	2018	
<b>Aquatic facilities</b>					
<b>Utilisation</b>					
<i>Utilisation of aquatic facilities</i>	2.20	4.31	4.65	4.53	The number of visits to the aquatic centre over the last three years has increased from 138,010 to 154,959. The municipal population has grown by 2,190 during this time, therefore causing in an overall increase in this indicator. Larger increases in earlier years are seen as a result of updated processes in relation to the recording aquatic centre visits.
[Number of visits to aquatic facilities / Municipal population]					
<b>Animal management</b>					
<b>Health and safety</b>					
<i>Animal management prosecutions</i>	16.00	5.00	6.00	11.00	The number is reflective of the successful Animal Management prosecutions during 2017/18 (excluding unpaid fines). There was an increase in the serious dog attack cases reported to Council during 2017/18 leading to an increase in Animal Management related prosecutions.
[Number of successful animal management prosecutions]					
<b>Food safety</b>					
<b>Health and safety</b>					
<i>Critical and major non-compliance notifications</i>	87.00%	92.26%	96.59%	98.11%	Council places high importance on ensuring critical and major non-compliances are satisfactorily followed up. Enhanced internal processes and reporting has enabled more accurate tracking of these notifications which has led to an improved response to identified non-compliances over the past 4 years.
[Number of critical non-compliance notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance notifications and major non-compliance notifications about food premises] x100					

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**Governance****Satisfaction**

<i>Satisfaction with council decisions</i>	44.00	41.00	47.00	49.00	A continued increase in satisfaction levels is indicative of the implementation of Council's Communications and Engagement Strategy which is focussed on improved engagement with the community and explaining the reasons behind Council decisions.
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[Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]

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**Home and community care****Participation**

<i>Participation in HACC service</i>	46.00%	45.38%	N/A	N/A	Reporting on HACC ceased on 1 July 2016 due to the introduction of the Commonwealth Government's NDIS and CHSP programs
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[Number of people that received a HACC service / Municipal target population for HACC services] x100

**Participation**

<i>Participation in HACC service by CALD people</i>	42.00%	39.95%	N/A	N/A	Reporting on HACC ceased on 1 July 2016 due to the introduction of the Commonwealth Government's NDIS and CHSP programs
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[Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x100

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**Libraries****Participation**

<i>Active library members</i>	35.00%	32.58%	24.04%	23.70%	An active library member is defined as a member who has borrowed a library collection item. A reporting review by West Gippsland Libraries found that reporting for this measure had previously incorrectly included library members who had used public computers and Wi-Fi but not borrowed an item. In 2017/18 Bass Coast Shire libraries had a 23.70% result based on 8,112 active library members. In 2016/17 the amended result was 24.04% based on 8,012 active library members.
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## Maternal and child health

### Participation

*Participation in the MCH service*      N/A      N/A      N/A      N/A

[Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100

Council does not have operational control of a MCH service.

### Participation

*Participation in the MCH service by Aboriginal children*      N/A      N/A      N/A      N/A

[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

Council does not have operational control of a MCH service.

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## Roads

### Satisfaction

*Satisfaction with sealed local roads*      36.00      41.00      48.00      47.00

[Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]

Council maintains a strong commitment and focus in improving its road network. It is important to note that the survey results are also a reflection of the condition of Vic Roads (State controlled roads) within the municipality.

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## Statutory Planning

### Decision making

*Council planning decisions upheld at VCAT*      83.00%      85.71%      40.00%      75.00%

[Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT

2015, 2016 and 2018 saw only one decision of council set aside, with higher overall VCAT decisions made in earlier years. 2017 saw three of council's decisions set aside by VCAT.

decisions in relation to planning applications] x100

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## Waste Collection

### Waste diversion

<i>Kerbside collection waste diverted from landfill</i>	28.00%	29.89%	32.40%	70.22%
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[Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100

The significant increase in Bass Coast Shire Council's diversion rate can be attributed to the introduction of a three bin system incorporating Kerbside Food and Garden Organics collection in September 2017. The organics collection is weekly and the landfill bin is collected fortnightly to promote diversion of waste from landfill. In the future, diversion is expected to increase with this service model operating over a full year.

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### Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"population" means the resident population estimated by council

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

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

## Financial Performance Indicators

For the year ended 30 June 2018

Dimension/ indicator/ measure	Results				Forecasts				Material Variations
	2015	2016	2017	2018	2018	2019	2020	2021	
<b>Efficiency</b>									
<b>Revenue level *</b>									
<i>Average residential rate per residential property assessment</i>	\$1,586.69	\$1,601.84	\$1,601.31	\$1,694.02	\$1,793.15	\$1,837.57	\$1,898.91	\$1,950.00	Following the introduction of a three bin waste collection in 2017/18, council increased the garbage charge by 14%. This has resulted in revenue from rates and charges increasing by 6% year on year.
[Residential rate revenue / Number of residential property assessments]									
<b>Expenditure level *</b>									
<i>Expenses per property assessment</i>	\$2,305.38	\$2,394.66	\$2,384.73	\$2,399.03	\$2,638.46	\$2,485.25	\$2,455.86	\$2,462.61	
[Total expenses / Number of property assessments]									
<b>Workforce turnover *</b>									
<i>Resignations and terminations compared to average staff</i>	10.10%	12.71%	6.49%	11.27%	11.93%	12.20%	12.22%	12.23%	Council sees staff turnover levels return to industry average.
[Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100									

\*Forecast years may differ from 2018/19 budget document due to updates arising from finalising 2017/18 financial statements.







<b>Stability</b>								
<b>Rates concentration</b>								
<i>Rates compared to adjusted underlying revenue</i>	70.44%	76.19%	70.01%	73.06%	71.34%	74.27%	76.43%	76.61%
[Rate revenue / Adjusted underlying revenue] x100								
<b>Rates effort *</b>								
<i>Rates compared to property values</i>	0.42%	0.44%	0.45%	0.41%	0.43%	0.44%	0.45%	0.46%
[Rate revenue / Capital improved value of rateable properties in the municipality] x100								

### Definitions

"adjusted underlying revenue" means total income other than:

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

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

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

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

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

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

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

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

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

"population "means the resident population estimated by council

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

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

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

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

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

# Other Information

For the year ended 30 June 2018

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## 1. Basis of preparation

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

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

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

The forecast figures included in the performance statement are those adopted by council in its strategic resource plan on 28 June 2017 and which forms part of the council plan. The strategic resource plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The strategic resource plan can be obtained by contacting council.

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# Certification of the Performance Statement

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

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*David Filmatter CA*

**Principal Accounting Officer**

**Dated:**

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

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

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

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

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*Cr Pamela Rothfield*

**Mayor**

**Dated:**

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*Cr Brett Tessari*

**Deputy Mayor**

**Dated:**

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*Paul Buckley*

**Chief Executive Officer**

**Dated:**