

Yarra Ranges Shire Council

Annual Financial Report

2018-19

Financial Report

Contents

	Page
Guide to our Financial Report	1
Certification of the Financial Statements	4
Victorian Auditor-General's Independent Audit Report on the Financial Statements	5
Financial Statements	7
Comprehensive Income Statement	7
Balance Sheet	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Statement of Capital Works	11
Notes to the Financial Statements	12
Introduction and Significant Accounting Policies	12
Note 1 Performance against budget	13
1.1 Income and expenditure	13
1.2 Capital works	16
Note 2.1 Analysis of Council result by directorate / program	18
Note 3 Funding for the delivery of our services	20
3.1 Rates and charges	20
3.2 Statutory fees and fines	20
3.3 User fees	20
3.4 Funding from other levels of government	21
3.5 Contributions	23
3.6 Other income	23
Note 4 The cost of delivering services	24
4.1 Employee costs	24
4.2 Materials and services	25
4.3 Depreciation and amortisation	25
4.4 Bad and doubtful debts	26
4.5 Borrowing costs	26
4.6 Other expenses	26
4.7 Net gain / (loss) on disposal of property, infrastructure and plant and equipment	27
Note 5 Our financial position	28
5.1 Financial assets	28
5.2 Non-financial assets	30
5.3 Payables	31
5.4 Interest bearing liabilities	32
5.5 Provisions	33
5.6 Financing arrangements	35
5.7 Commitments	35
5.8 Operating leases	36
Note 6 Assets we manage	36
6.1 Non current assets classified as held for sale	36
6.2 Property, infrastructure, plant and equipment	37
6.3 Investments in associates, joint arrangements and subsidiaries	42
Note 7 People and relationships	43
7.1 Council and key management remuneration	43
7.2 Related party disclosures	45
Note 8 Managing uncertainties	46
8.1 Contingent assets and liabilities	46
8.2 Change in accounting standards	46
8.3 Financial instruments	47
8.4 Fair value measurement	48
8.5 Natural disaster events	49
8.6 Events occurring after balance date	49
Note 9 Other matters	50
9.1 Reserves	50
9.2 Reconciliation of cash flows from operating activities to surplus / (deficit)	51
9.3 Superannuation	52
9.4 Prior period adjustments	53
Performance Statement	54
Certification of the Performance Statement	xx
Victorian Auditor-General's Independent Audit Report on the Performance Statement	xx

Guide to our Financial Report

Introduction

The Financial Statements are prepared in accordance with the requirements of the Local Government Act 1989, the Local Government (Planning and Reporting) Regulations 2014, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. In addition, the Department of Environment, Land, Water and Planning's model accounts are used to assist with standardised financial reporting for local government organisations in Victoria.

Yarra Ranges Shire Council is committed to accountability and transparency. This guide has been prepared to assist readers understand and analyse the Financial Report.

What is included in the Financial Report?

Council's Financial Report contains two sets of statements:

- Financial Statements and accompanying explanatory notes (page 7) and
- Performance Statement (page 54)

Each of these statements are prepared by Council officers, reviewed by Council's Audit and Risk Management Committee who make a recommendation to Council for certification, and audited by the Victorian Auditor-General.

Financial Statements

The Financial Statements report on how Council performed financially during the 2018-19 year and the overall financial position at the end of the financial year (30 June 2019).

The Financial Statements include:

- Comprehensive Income Statement;
- Balance Sheet;
- Statement of Changes in Equity;
- Statement of Cash Flows;
- Statement of Capital Works;
- Notes to the Financial Statements.

Comprehensive Income Statement

The Comprehensive Income Statement itemises income earned and expenditure incurred in delivering Council's services during the year as well as other comprehensive income (including revaluation of assets and impairment losses on assets) to give the total comprehensive result for the year.

The operating expenses do not include capital purchases for the renewal or upgrade of Council assets. However, the operating result includes depreciation and amortisation which is a provision for the value of assets 'used up' during the year.

The statement is prepared on an accruals basis and includes both cash and non-cash items. All income and expenses for the year are reflected in the statement even though some revenue may not yet be received (such as interest on investments) and some expenses may not yet be paid (such as supplier invoices not yet paid for goods and services already received).

The key figure to assess Council's financial performance for the year is the operating surplus or deficit which is calculated by deducting the total expenditure for the year from the total income. It is important to note however, that the surplus result is not a "cash" surplus due to the recognition of non-cash items as explained above.

While Council is a not-for-profit organisation, it should on average generate a surplus in order to ensure future financial sustainability so as to provide ongoing services and infrastructure to its ratepayers.

Balance Sheet

The Balance Sheet is a snapshot of Council's financial position as at 30 June. It outlines what Council controls as assets (such as cash and investments), what it owes as liabilities (such as amounts owed to creditors) and the equity or net worth at the end of the year.

The assets and liabilities are separated into current and non-current sections. Current generally means those assets which will be received, or liabilities which will be paid, within the next 12 months. Non-current are all those assets and liabilities which are held for a longer term.

The net current assets or working capital is an important measure of Council's ability to meet its debts as and when they fall due.

The equity section of the Balance Sheet shows the reserves of the Council and the total of all the profits that have accumulated over the years. The total of the equity section represents the net financial worth of the Council.

Statement of Changes in Equity

The Statement of Changes in Equity summarises the change in Council's net financial worth during the financial year. Council's net worth can change as a result of a surplus or deficit as recorded in the Comprehensive Income Statement or a change in the net value of non-current assets resulting from a revaluation or an impairment of those assets.

Statement of Cash Flows

The Statement of Cash Flows shows all cash amounts received and all cash payments made during the year as well as the change in Council's bank balance during the year and the bank balance at the end of the year.

The cash flows are separated into three different types of activities:

- operating activities are those cash receipts and payments arising from delivering the various services of Council. The net cash provided by operating activities is an important result in the statement, as it shows the ability of the Council to generate a cash surplus which can then be used to fund the purchase, construction or renewal of long term assets such as property and infrastructure and also repay borrowings. This on average should be a positive amount.
- investing activities are those cash receipts and payments arising from the purchase, renewal, upgrade, expansion and sale of Council's non-current assets.
- financing activities are those cash receipts and payments arising from the raising and repayment of borrowings.

Statement of Capital Works

The Statement of Capital Works details all amounts expended by Council on capital works. The statement does not include any maintenance costs or other non capital items and the value of assets contributed to Council.

The asset classes on the statement are classified based on the guide: *Local Government: Accounting for non-current physical assets under AASB 116*.

The statement also categorises the amount of capital works expenditure Council spends to renew, upgrade, expand or create new assets. This classification is important as each of these categories has a different impact on Council's future costs:

- **Renewal:** Expenditure on an existing asset which returns the service potential or the life of the asset up to that which it had originally. It periodically requires expenditure, relatively large (i.e. material) in value compared with the value of the components or sub-components of the asset being renewed. As it reinstates existing service potential, it has no impact on revenue, but may reduce future operating and maintenance expenditure if completed at the optimum time.
- **Upgrade:** Expenditure which enhances an existing asset to provide a higher level of service or expenditure that will increase the life of the asset beyond that which it had originally. Upgrade expenditure is discretionary and often does not result in additional revenue unless direct user charges apply. It will increase operating and maintenance expenditure in the future because of the increase in Council's asset base.
- **Expansion:** Expenditure which extends an existing asset, at the same standard as is currently enjoyed by residents, to a new group of users. It is discretionary expenditure which increases future operating and maintenance costs, because it increases Council's asset base, but may be associated with additional revenue from the new user group.
- **New assets expenditure:** Expenditure which creates a new asset that provides a new service that did not previously exist. New asset expenditure does not have any element of renewal, expansion or upgrade of existing assets. New capital expenditure may or may not result in additional revenue for Council and will result in an additional burden for future operation, maintenance and capital renewal.

Notes to the Financial Report

The notes to the Financial Report give greater detail to support the figures used in the five main statements and should be read in conjunction with the statements to get a clearer picture of Council's finances. The notes give the details behind the summary line items contained in the statements, showing what makes up each of the accumulated amounts. The disclosures relevant to the notes and explanations have been included under each note to provide greater context to the reader.

The notes also provide information on the rules and assumptions used to prepare the financial statements, advise the reader about any changes to the Australian Accounting Standards, policy, or legislation, which may affect the way the statements are prepared and disclose other information which cannot be incorporated into the statements and provide analysis if there has been a significant change from the previous year's comparative figures.

Performance Statement

The Performance Statement contains information about the performance of the Council for the financial year in relation to key strategic activities in the Council Plan and is a key section of the annual report whereby Council makes itself accountable to the community.

The Victorian Government has introduced a mandatory system of performance reporting for Councils which prescribes performance information to be included in Council's annual reports. This information is a mix of service and financial indicators.

Certification of Statements

The Certification of the financial statements is made by the person responsible for the financial management of Council, and is made separately in respect of each statement. The person must state whether in their opinion, the statements have met all the statutory and professional reporting requirements.

Two Councillors and the Chief Executive Officer also make a certification separately in respect of each statement. The Councillors and the Chief Executive Officer must state that in their opinion, the statements are fair and not misleading or inaccurate.

Independent Audit Reports

The Independent Audit Reports are the external and independent opinion of the Victorian Auditor-General and provide the reader with a totally independent view about Council's compliance with the statutory and professional requirements, as well as the fairness aspects of the statements. The Victorian Auditor-General issues two Audit Reports – a report on the Financial Statements and a separate report on the Performance Statement. Each of the Audit Reports are addressed to the Councillors of Yarra Ranges Shire Council.

Yarra Ranges Shire Council

Financial Statements

for the year ended 30 June 2019

Certification of 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.



Vishantri Perera

Principal Accounting Officer

BSc (Bus Admin), CPA

27 August 2019

Lilydale

In our opinion the accompanying financial statements present fairly the financial transactions of Yarra Ranges Shire Council for the year ended 30 June 2019 and the financial position of 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 Council and by the *Local Government (Planning and Reporting) Regulations 2014* to certify the financial statements in their final form.

Tony Stevenson

Mayor

27 August 2019

Lilydale



Richard Higgins

Councillor

27 August 2019

Lilydale



Tammi Rose

Chief Executive Officer

27 August 2019

Lilydale

Independent Auditor's report

Independent Auditor's report

Comprehensive Income Statement

for the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Income			
Rates and charges	3.1	141,137	136,131
Statutory fees and fines	3.2	3,147	3,547
User fees	3.3	6,728	7,551
Grants – operating	3.4	29,369	27,545
Grants – capital	3.4	14,487	12,960
Contributions – monetary	3.5	3,087	6,381
Contributions – non-monetary	3.5	1,158	4,093
Other income	3.6	3,261	2,929
Share of net surplus of associates accounted for by the equity method	6.3	193	470
Total income		202,567	201,607
Expenses			
Employee costs	4.1	(58,389)	(61,469)
Materials and services	4.2	(79,325)	(76,428)
Depreciation and amortisation	4.3	(27,667)	(26,737)
Bad and doubtful debts	4.4	(440)	(448)
Borrowing costs	4.5	(937)	(1,096)
Other expenses	4.6	(7,936)	(8,000)
Net loss on disposal of property, plant and equipment and infrastructure	4.7	(2,792)	(1,544)
Total expenses		(177,486)	(175,722)
Surplus for the year		25,081	25,885
Other comprehensive income			
Items that will not be reclassified to surplus or deficit:			
Net asset revaluation increment	6.2	12,020	10,599
Total comprehensive result		37,101	36,484

The above Comprehensive Income Statement should be read with the accompanying notes.

Yarra Ranges Shire Council

Balance Sheet

as at 30 June 2019

		2019	2018
	Note	\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	5.1	67,876	54,736
Other financial assets	5.1	-	13,500
Trade and other receivables	5.1	29,381	27,787
Non-current assets classified as held for sale	6.1	14	-
Other assets	5.2	2,659	1,874
Total current assets		99,930	97,897
Non-current assets			
Trade and other receivables	5.1	1,956	3,273
Investments in associates, joint arrangements and subsidiaries	6.3	4,899	4,706
Property, infrastructure and plant and equipment *	6.2	1,062,460	1,028,725
Intangible assets	5.2	703	1,148
Total non-current assets		1,070,018	1,037,852
Total assets		1,169,948	1,135,749
LIABILITIES			
Current liabilities			
Trade and other payables	5.3	17,035	17,320
Trust funds and deposits	5.3	2,165	2,079
Provisions	5.5	16,465	15,814
Interest-bearing loans and borrowings	5.4	3,475	3,312
Total current liabilities		39,140	38,525
Non-current liabilities			
Provisions	5.5	4,515	4,557
Interest-bearing loans and borrowings	5.4	13,787	17,262
Total non-current liabilities		18,302	21,819
Total liabilities		57,442	60,344
Net assets		1,112,506	1,075,405
EQUITY			
Accumulated surplus *		546,425	521,331
Reserves	9.1	566,081	554,074
Total equity		1,112,506	1,075,405

The above Balance Sheet should be read with the accompanying notes.

* Council has recognised prior period adjustments that, as outlined in Note 9.4, required a restatement of property, infrastructure and plant and equipment and accumulated surplus as at 1 July 2018. The outcome of this adjustment is also reflected in Note 6.2.

Statement of Changes in Equity

for the year ended 30 June 2019

	Note	Total \$'000	Accumulated Surplus \$'000	Asset Revaluation Reserve \$'000	Other Reserves \$'000
2019					
Balance at beginning of the financial year		1,075,405	521,331	543,091	10,983
Surplus for the year		25,081	25,081	-	-
Net asset revaluation increment	6.2	12,020	-	12,020	-
Transfers to other reserves	9.1	-	(1,806)	-	1,806
Transfers from other reserves	9.1	-	1,819	-	(1,819)
Balance at end of the financial year		1,112,506	546,425	555,111	10,970

		Total \$'000	Accumulated Surplus \$'000	Asset Revaluation Reserve \$'000	Other Reserves \$'000
2018					
Balance at beginning of the financial year		1,047,297	507,304	532,492	7,501
Prior period adjustments		(8,376)	(8,376)	-	-
* Adjusted balance at the beginning of the financial year		1,038,921	498,928	532,492	7,501
Surplus for the year		25,885	25,885	-	-
Net asset revaluation increment	6.2	10,599	-	10,599	-
Transfers to other reserves	9.1	-	(4,192)	-	4,192
Transfers from other reserves	9.1	-	710	-	(710)
Balance at end of the financial year		1,075,405	521,331	543,091	10,983

The above Statement of Changes in Equity should be read with the accompanying notes.

* Council has recognised prior period adjustments that, as outlined in Note 9.4, required a restatement of property, infrastructure and plant and equipment and accumulated surplus as at 1 July 2018. The outcome of this adjustment is also reflected in Note 6.2.

Statement of Cash Flows

for the year ended 30 June 2019

		2019 Inflows (Outflows) \$'000	2018 Inflows (Outflows) \$'000
	Note		
CASH FLOWS FROM OPERATING ACTIVITIES			
Rates and charges		139,253	135,232
Statutory fees and fines		3,034	3,619
User fees (inclusive of GST)		6,823	8,631
Grants - operating (inclusive of GST)		29,528	27,607
Grants - capital (inclusive of GST)		15,716	11,108
Contributions (inclusive of GST)		4,872	4,638
Interest received		1,518	1,282
Trust funds and deposits taken		1,555	970
Other receipts (inclusive of GST)		1,898	1,747
Net GST refund		11,094	10,706
Materials and Services (inclusive of GST)		(92,393)	(82,841)
Employee costs		(57,468)	(61,444)
Trust funds and deposits repaid		(1,469)	(915)
Other payments (inclusive of GST)		(8,662)	(8,673)
Net cash provided by operating activities	9.2	55,299	51,667
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, infrastructure, plant and equipment		(52,120)	(36,627)
Proceeds from / (payments) for other financial assets - investments		13,500	(13,500)
Proceeds from sale of property, infrastructure, plant and equipment		716	1,294
Net cash used in investing activities		(37,904)	(48,833)
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance costs		(943)	(1,099)
Repayment of borrowings		(3,312)	(3,156)
Net cash used in financing activities		(4,255)	(4,255)
Net increase in cash and cash equivalents		13,140	(1,421)
Cash and cash equivalents at beginning of the financial year		54,736	56,157
Cash and cash equivalents at the end of the financial year		67,876	54,736
Financing arrangements	5.6	1,900	1,900
Restrictions on cash assets	5.1	2,187	2,099

The above Statement of Cash Flows should be read with the accompanying notes.

Statement of Capital Works

for the year ended 30 June 2019

	2019	2018
	\$'000	\$'000
Property		
Buildings	11,108	12,573
Building improvements	1,779	1,104
Total buildings	12,887	13,677
Total property	12,887	13,677
Plant and equipment		
Plant, machinery and equipment	1,940	951
Fixtures, fittings and furniture	52	15
Computers and telecommunications	244	491
Total plant and equipment	2,236	1,457
Infrastructure		
Roads	15,872	11,159
Bridges	364	261
Footpaths and cycle ways	3,694	2,209
Drainage	2,056	825
Recreational, leisure and community facilities	5,268	2,941
Parks, open space and streetscape	5,612	2,951
Off street car parks	617	151
Other infrastructure	4,141	-
Total infrastructure	37,624	20,497
Total capital works expenditure	52,747	35,631
Represented by:		
New asset expenditure	9,034	6,146
Asset renewal expenditure	29,420	16,899
Asset expansion expenditure	4,543	4,605
Asset upgrade expenditure	9,750	7,981
Total capital works expenditure	52,747	35,631

The above Statement of Capital Works should be read with the accompanying notes.

Notes to the Financial Statements

for the year ended 30 June 2019

Introduction

Yarra Ranges Shire Council was established by an Order of the Governor in Council on 15 December 1994 and is a body corporate. Council's main office is located at 15 Anderson Street, Lilydale.

Statement of compliance

These financial statements are general purpose financial statements that consist 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 Australian Accounting Standards, 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

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 Australian Accounting Standards that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to note 6.2);
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to note 6.2);
- the determination of employee provisions (refer to note 5.5);
- the determination of landfill provisions (refer to note 5.5); and
- other areas requiring judgements.

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

Notes to the Financial Statements

for the year ended 30 June 2019

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 ten per cent or a variance of \$500,000. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

At the time of rate generation for 2018-19, it was discovered that the preliminary valuation data provided by the Victorian Valuer General which was used to calculate the rate in the dollar for the adopted budget differed from the final valuations for some properties. As a result, the rate in the dollar that was declared in the adopted budget was higher than the one based on final valuations and in turn generated higher rates income of \$639k compared to the maximum rates allowable under the State Government's rate cap of 2.25%.

Council revised its 2018-19 budget on 11 December 2018 to correct the rate in the dollar thus adjusting the general rate revenue in line with the State Government's rate cap of 2.25%.

Apart from the changes relating to the rate in the dollar and associated information, the revised budget 2018-19 contains the same financial information as the budget that was adopted on 26 June 2018. The budget figures detailed below are those adopted by Council on 26 June 2018.

The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for revenue and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term.

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	Actual	Favourable / (Unfavourable) Variance	Favourable / (Unfavourable) Variance	
	2018-19	2018-19			
	\$'000	\$'000	\$'000	%	Ref
Income					
Rates and charges	141,405	141,137	(268)	(0.2%)	
Statutory fees and fines	3,251	3,147	(104)	(3.2%)	
User fees	6,687	6,728	41	0.6%	
Grants operating – recurrent	26,361	25,460	(901)	(3.4%)	1
Grants operating – non-recurrent	1,140	3,909	2,769	242.9%	2
Grants capital – recurrent	1,684	1,671	(13)	(0.8%)	
Grants capital – non-recurrent	4,300	12,816	8,516	198.0%	3
Contributions – monetary	1,714	3,087	1,373	80.1%	4
Contributions – non-monetary	2,231	1,158	(1,073)	(48.1%)	5
Other income	1,964	3,261	1,297	66.0%	6
Share of surplus of associates accounted for by the equity method	269	193	(76)	(28.3%)	7
Total income	191,006	202,567	11,561	6.1%	
Expenses					
Employee costs	65,171	58,389	6,782	10.4%	8
Materials and services	65,552	79,325	(13,773)	(21.0%)	9
Bad and doubtful debts	33	440	(407)	(1233.3%)	10
Depreciation and amortisation	26,568	27,667	(1,099)	(4.1%)	11
Finance costs	1,320	937	383	29.0%	12
Net loss on disposal of property, plant and equipment and infrastructure	1,500	2,792	(1,292)	(86.1%)	13
Other expenses	7,752	7,936	(184)	(2.4%)	
Total expenses	167,896	177,486	(9,590)	(5.7%)	
Surplus for the year	23,110	25,081	1,971	8.5%	

The budget figures above have been reclassified from the line item categories of the 2018-19 adopted budget to align with current year actuals that are in a prescribed format.

Yarra Ranges Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Performance against budget (continued)

(a) Explanation of material variances - Income and Expenditure

Ref	Commentary
1	Grants operating – recurrent
	Unanticipated reduction in aged care funding of \$946k due to transition of these services under the National Disability Insurance Scheme (NDIS), offset by savings in salaries and wages that is included in employee costs.
2	Grants operating – non-recurrent
	Unbudgeted grants of \$1.9m for natural disaster financial assistance received for asset restoration expenditure incurred in the previous years, \$160k for Social Housing project, \$159k from Recycling Temporary Relief Fund, \$150k for Birds to Butterfield program, \$90k for Gender Equity Free from Violence program and other grants of \$259k.
3	Grants capital – non-recurrent
	Unbudgeted grant funding of \$11m for projects including Warburton Mountain Bike Destination (\$3m), Yarra Valley trail (\$3.5m), RidgeWalk (\$2m) and Soccer Pitches Esther Park, Mooroolbark (\$1.3m), Wandin North Community Sports Pavilion (\$650k) and others (\$550k). This has been offset by grant funding of \$2.8m budgeted in 2018-19 received in 2017-18 for Burrinja Cultural Centre, Upwey redevelopment (\$1.2m) and Monbulk Community Sports Pavilion (\$1.6m).
4	Contributions – monetary
	Unbudgeted contribution of \$870k for various subdivisions across Council, \$162k capital contributions for recreation facilities and drainage improvement projects, \$94k for Council's annual valuations and \$76k of contribution as finance costs for special charge schemes.
5	Contributions – non-monetary
	Lower than anticipated assets from completed sub-divisions were transferred to Council. Assets contributed mainly related to free standing sound walls of \$980k at Pinks Reserve Kilsyth Netball courts.
6	Other income
	Better than anticipated interest on investments of \$629k, rental income of \$134k from leasing Council facilities, sale of discontinued roads of \$110k, Roads to Recovery projects design cost recovery of \$90k, Water Sensitive Urban Design (WSUD) drainage program of \$66k and various other cost recoveries of \$268k.
7	Share of surplus of associates accounted for by the equity method
	Lower than anticipated surplus from investment in Eastern Regional Library.
8	Employee costs
	Vacant and disestablished positions have resulted in lower than budgeted salaries and wages and oncosts of \$7.1m, mainly due to \$1.5m for aged care services (offset by a reduction in aged care recurrent grant funding due to NDIS transition), \$521k for School Crossing Supervisors program and \$488k for Parks and Bushland team. These have been offset by increased costs for agency staff of \$3.2m in materials and services incurred in order to continue service delivery. Fringe benefits tax was lower than anticipated by \$91k. Higher than anticipated salaries of \$194k related to staff involved in the delivery of capital works treated as capital expenditure. These are offset by higher leave provisions of \$446k and other employee costs of \$159k.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Performance against budget (continued)

(a) Explanation of material variances - Income and Expenditure (continued)

9 Materials and services

Maintenance expenditure of \$6.9m incurred on projects that were budgeted as capital, increased provision for landfill \$1.6m, increased expenditure in agency staff \$3.2m in order to continue service delivery (partly offset by savings in employee costs), consultant and general maintenance cost of \$940k for parks, reserves and open spaces and planning for Lilydale quarry development, \$510k incurred for the maintenance of Council buildings, public halls and aquatic facilities, \$330k for weed control and bushfire preparedness, and \$290k for sportsfields maintenance.

10 Bad and doubtful debts

Uncollected infringements of \$431k issued prior to January 2017 provided for and referred to the Magistrate's Court. These have been escalated to the Magistrate court and will be collected through the Magistrate court process.

11 Depreciation and amortisation

Result of an increase in the revaluation of Council's Recreation and Community facilities assets in 2017-18.

12 Finance costs

The finance cost budget was based on an expectation of additional borrowing of \$10.3m. This was not required to be borrowed due to receipt of unbudgeted capital grant funding to deliver projects in 2019-20.

13 Net loss on disposal of property, plant and equipment and infrastructure

Higher than anticipated loss is mainly attributable to disposal of roads and other infrastructure assets as a result of capital works completed in 2018-19.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Performance against budget (continued)

1.2 Capital Works

	Budget 2018-19 \$'000	Actual 2018-19 \$'000	Favourable / (Unfavourable) Variance \$'000	Favourable / (Unfavourable) Variance %	Ref
Property					
Land	800	-	800	100.0%	1
Total land	800	-	800	100.0%	
Buildings	16,854	11,108	5,746	34.1%	2
Building improvements	2,413	1,779	634	26.3%	3
Total buildings	19,267	12,887	6,380	33.1%	
Total property	20,067	12,887	7,180	35.8%	
Plant and equipment					
Plant, machinery and equipment	1,929	1,940	(11)	(0.6%)	
Fixtures, fittings and furniture	60	52	8	13.3%	4
Computers and telecommunications	445	244	201	45.2%	5
Total plant and equipment	2,434	2,236	198	8.1%	
Infrastructure					
Roads	18,742	15,872	2,870	15.3%	6
Bridges	435	364	71	16.3%	7
Footpaths and cycleways	4,866	3,694	1,172	24.1%	8
Drainage	2,261	2,056	205	9.1%	
Recreational, leisure and community facilities	4,415	5,268	(853)	(19.3%)	9
Waste management	50	-	50	100.0%	10
Parks, open space and streetscape	6,428	5,612	816	12.7%	11
Off street car parks	643	617	26	4.0%	
Other infrastructure	3,946	4,141	(195)	(4.9%)	
Total infrastructure	41,786	37,624	4,162	10.0%	
Total capital works expenditure	64,287	52,747	11,540	18.0%	
Represented by:					
New asset expenditure	12,539	9,034	3,505	28.0%	
Asset renewal expenditure	32,161	29,420	2,741	8.5%	
Asset expansion expenditure	5,540	4,543	997	18.0%	
Asset upgrade expenditure	14,047	9,750	4,297	30.6%	
Total capital works expenditure	64,287	52,747	11,540	18.0%	

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Performance against budget (continued)

(i) Explanation of material variances - Capital works

Capital works overview

The budget of \$64.3m for capital works adopted on 26 June 2018 was comprised of \$46.2m for new works and \$18.1m for carried forward works from 2017-18. The actual carried forward figure for capital works from 2017-18 to 2018-19 amounted to \$18.9m. Council carried forward a total of \$17.4m from 2018-19 to 2019-20, which includes \$11m of unbudgeted capital grant funding received in 2018-19 to deliver projects in 2019-20.

Ref	Commentary
1	Land Council has approved the land acquisition for the Chirnside Park Activity Centre Urban Park. This property will be acquired once the agreement is finalised as negotiations are continuing.
2	Building Due to carry forward of the budget to 2019-20 to deliver projects including the Civic Centre Redevelopment (\$3.7m), Burrinja Cultural Centre Redevelopment (\$1.2m) and Carbon Management Improvement projects (\$700k).
3	Building improvements Works budgeted as capital but treated maintenance in nature.
4	Fixtures, fittings and furniture Due to delay in renewal of furniture at Healesville Memorial Hall.
5	Computers and telecommunications A portion of the 2018-19 budget was forward spent in 2017-18 due to accelerated delivery of this program.
6	Roads \$2.3m budget allocated to deliver the Major Road Streetlights Replacement project in future years. Works of \$2m budgeted as capital but did not meet asset recognition criteria, hence treated as maintenance mainly in sealed roads repair and patching works (\$560k), road pavement rehabilitation and improvement works (\$424k) and intersection sealing works (\$196k). These have been offset by higher than anticipated project cost on projects including Steels Creek Road, Steels Creek (\$800k) and Edward Road and Switchback Road, Chirnside Park Traffic Signals (\$552k).
7	Bridges Works budgeted as capital but treated as maintenance as it did not meet asset recognition criteria.
8	Footpaths and cycleways Footpath rehabilitation works of \$1.1m budgeted as capital but treated as maintenance as it did not meet asset recognition criteria.
9	Recreational, leisure and community facilities Additional funding required to support delivery of Sports Court renewal projects at Kiloran Park, Yarra Glen and Belgrave South and Sports Lighting projects at Wesburn and Queens Park, Healesville.
10	Waste management Wet Waste facility design project on hold due to cost estimates exceeding the allocated budget.
11	Parks, open space and streetscape Delivery of a number of township projects in this program including Warburton Community Recreation Precinct (\$300k), Belgrave township improvements (\$200k), Upwey township masterplan (\$200k) and Olinda Creek shared trail (\$100k) has been delayed due to extensive stakeholder consultation.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 2.1 Analysis of Council results by program

Note 2.1 (a) Directorates / programs

Council delivers its services and carries out its activities through the following directorates and programs:

Chief Executive's Office and Corporate Services

The Chief Executive's Office works closely with Council advocating on behalf of the municipality on issues of community importance and ensuring that the Council's business affairs are transparent and accessible.

The Corporate Services directorate provides support and coordinates services primarily relating to the internal functions and activities of the organisation. This directorate is responsible for People and Culture (including Human Resources, Payroll, Organisational Development and Workplace Relations), Customer and Business Transformation (including Transformation, Digital, Customer Experience, Corporate Strategy and Communication), Financial Services (including Finance, Procurement, Risk, Governance and Rating Services) and Information Services.

Environment and Engineering

The Environment and Engineering directorate is responsible for Infrastructure Services, Recreation, Projects and Parks, Sustainable Environment and Facilities, and Strategic Services. Key services include the management and maintenance of Council's facilities, infrastructure and parks, strategic asset management, waste management, protection and enhancement of natural assets within the municipality and management of Council's capital works program.

Social and Economic Development

The Social and Economic Development directorate has responsibility for providing Community Support Services (including early years services, family and children services, immunisation, youth services, aged and home care services), Development Services (including Council's strategic and statutory planning, and building and development compliance services), Business and Community Wellbeing (including Economic and Community Development, Community Safety, Emergency Management and Environment Health) and Creative Communities (including operation and management of Council's cultural facilities and cultural development).

Organisational Finance

The Organisational Finance area comprises items of revenue and expenditure that are attributable to Council as a whole rather than individual groups. The major components are income from rates and charges, general purpose grants, loan financing costs and depreciation.

Natural Disasters

The Natural Disasters includes storm and flood events in Yarra Ranges. The focus of this function is to carry out the restoration works for Council assets affected by natural disasters. The major components are expenditure incurred for restoration works and reimbursement of such expenditure under State Government's Natural Disaster Financial Assistance scheme.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 2.1 Analysis of Council results by program (continued)

Note 2.1 (b) Summary of income, expenses and assets by directorates / program

Income and expenses have been attributed to the directorates / programs as set out below:

	Income	Expenses	Surplus / (Deficit)	Grants (included in income)	Total Assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2019					
CEO's Office and Corporate Services	999	23,218	(22,219)	90	110,243
Environment and Engineering	18,471	73,195	(54,724)	15,465	980,444
Social and Economic Development	21,763	47,169	(25,406)	12,558	79,261
Organisational Finance	159,203	33,661	125,542	13,612	-
Natural Disasters	2,131	243	1,888	2,131	-
Total	202,567	177,486	25,081	43,856	1,169,948

	Income	Expenses	Surplus / (Deficit)	Grants (included in income)	Total Assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2018					
CEO's Office and Corporate Services	1,134	22,442	(21,308)	-	111,703
Environment and Engineering	19,595	70,775	(51,180)	13,950	947,450
Social and Economic Development	20,933	44,557	(23,624)	11,360	76,596
Organisational Finance	159,332	36,965	122,367	14,582	-
Natural Disasters	613	983	(370)	613	-
Total	201,607	175,722	25,885	40,505	1,135,749

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Funding for the delivery of our services

	2019 \$'000	2018 \$'000
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 the total market value of the land, buildings and any other improvements.		
The valuation base used to calculate general rates for 2018-19 was \$41,914,814,000 (2017-18 \$33,023,072,500). The 2018-19 general rate in the CIV dollar was \$0.002846 (2017-18 \$0.003493)		
General rates	121,249	117,279
Waste management charge	17,948	15,782
Supplementary rates and rate adjustments	529	806
Interest on rates	1,171	1,089
Special rates and charges	240	1,175
Total rates and charges	141,137	136,131

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2019 and the valuation will be applied to the rating year commencing 1 July 2019.

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.

Note 3.2 Statutory fees and fines		
Infringements and costs	531	832
Town planning fees	1,944	1,869
Court recoveries	668	844
Other	4	2
Total statutory fees and fines	3,147	3,547

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.

Note 3.3 User fees		
Registration and other permits	1,691	1,591
Child care / children's programs	1,361	1,725
Waste management services	-	732
Animal control	1,092	1,164
Aged and health services	863	898
Leisure centre and recreation	732	646
Other fees and charges	510	439
Building services	479	356
Total user fees	6,728	7,551

User fees are recognised as revenue when the service has been provided, the payment is received or Council has otherwise earned the income, whichever first occurs.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Funding for the delivery of our services (continued)

	2019 \$'000	2018 \$'000
Note 3.4 Funding from other levels of government		
Grants were received in respect of the following:		
Summary of grants		
Commonwealth funded grants	23,222	28,755
State funded grants	20,634	11,750
Total grants	43,856	40,505
(a) Operating grants		
Recurrent - Commonwealth Government		
Financial assistance grants *	13,612	14,582
Aged care	4,392	4,176
Family and children	1,990	1,452
Community health	25	21
Recurrent - State Government		
Aged care	1,684	2,311
Maternal and child health	1,685	1,572
School crossing supervisors #	658	-
Family and children	663	679
Community safety	461	455
Environmental planning	170	175
Recreation	120	120
Total recurrent operating grants	25,460	25,543
* Council received 50% of its 2019-20 Victorian Grants Commission allocation in 2018-19 and 50% of its 2018-19 Victorian Grants Commission allocation in 2017-18.		
# 2017-18 funding of \$530k for school crossing supervisors was recognised in June 2017.		
Non-recurrent - Commonwealth Government		
Family and children	48	-
Community safety	-	11
Non-recurrent - State Government		
Environmental planning	832	863
Community safety	311	26
Family and children	375	466
Natural disaster events	2,131	613
Community health	209	20
Aged care	3	3
Total non-recurrent operating grants	3,909	2,002
Total operating grants	29,369	27,545

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Funding for the delivery of our services (continued)

Note 3.4 Funding from other levels of government (continued)

	2019	2018
	\$'000	\$'000
(b) Capital grants		
Recurrent - Commonwealth Government		
Roads to recovery	1,671	3,378
Total recurrent capital grants	1,671	3,378
Non-recurrent - Commonwealth Government		
Buildings	720	4,869
Recreation, leisure and community	114	266
Roads	650	-
Non-recurrent - State Government		
Buildings	-	1,250
Drainage	50	10
Roads	15	518
Off street carpark	88	-
Recreation, leisure and community	11,172	2,669
Parks, open space and streetscape	7	-
Total non-recurrent capital grants	12,816	9,582
Total capital grants	14,487	12,960
Total grants	43,856	40,505
Unspent grants received on condition that they be spent in a specific manner		
Balance at start of year *	7,380	4,162
Received during the financial year and remained unspent at balance date - operating grants	2,537	1,717
Received during the financial year and remained unspent at balance date - capital grants (Note 5.1 (a))	10,979	4,017
Received in prior years and spent during the financial year	(4,760)	(2,516)
Balance at year end (Note 5.1 (a))	16,136	7,380

* Balance at start of year has been restated as a result of changes identified in unspent grants at balance date after completion of 2017-18 audit.

Grant income is recognised when Council obtains control of the contribution. This is normally obtained upon receipt (or acquittal) or upon earlier notification that a grant has been secured, and are valued at their fair value at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed above in this note. The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Funding for the delivery of our services (continued)

	2019	2018
	\$'000	\$'000
Note 3.5 Contributions		
Monetary	3,087	6,381
Non-monetary	1,158	4,093
Total contributions	4,245	10,474
Contributions - monetary		
Contributions monetary - resort and recreation fees	1,803	4,191
Contributions monetary - operating	713	655
Contributions monetary - capital	571	1,535
Total contributions - monetary	3,087	6,381
Contributions - non-monetary		
Contributions of non monetary assets were received in relation to the following asset classes:		
Recreational and community facilities	997	-
Building	149	148
Drains	12	506
Land	-	2,185
Roads	-	480
Footpaths	-	81
Land under roads	-	8
Kerb and Channel	-	609
Furniture	-	74
Other	-	2
Total contributions - non-monetary	1,158	4,093

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

Note 3.6 Other income

Interest	1,482	1,335
Rent	932	877
Cost recovery and reimbursements	718	627
Other	129	90
Total other income	3,261	2,929

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. The cost of delivering services

	2019	2018
	\$'000	\$'000
Note 4.1 Employee costs		
Wages and salaries [#]	49,260	52,669
Superannuation	4,943	4,793
Casual staff	1,700	1,669
Other employee costs	1,464	1,431
WorkCover	649	545
Fringe benefits tax	373	362
Total employee costs	58,389	61,469

[#] Salaries of staff engaged in the delivery of capital works (\$4.1m) have been capitalised in 2018-19. In 2018-19 Council paid \$684k (2017-18: \$1.4m) in redundancy payments as a result of structure changes and service reviews.

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	276	317
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Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	2,760	2,732
Employer contributions - other funds	1,907	1,744
Total accumulation funds	4,667	4,476

Employer contributions payable at reporting date	123	121
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Refer to Note 9.3 for further information relating to Council's superannuation obligations.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. The cost of delivering services (continued)

	2019	2018
	\$'000	\$'000
Note 4.2 Materials and services		
Major contracts payments *	29,561	28,513
Other contract payments	25,662	24,820
Office administration	6,437	6,114
Consultants	4,522	4,292
Utilities	2,998	2,588
Building maintenance	3,108	2,734
Information technology	3,397	3,369
Community seminars and programs	1,214	1,173
General maintenance	1,886	2,271
Other materials and services	540	554
Total materials and services	79,325	76,428
* Major contract payments		
Garbage collection and disposal	8,462	8,190
Contracted services for programmed maintenance	7,132	7,395
General recycling service	3,088	2,386
Green waste collection and disposal	2,459	2,357
Hard waste service	1,932	1,749
Trees reactive maintenance	3,173	3,262
Aquatic facility management	1,493	1,426
Insurance	1,331	1,209
Building Maintenance – minor works	491	539
Total major contract payments	29,561	28,513
Note 4.3 Depreciation and amortisation		
Infrastructure	16,589	15,997
Property	8,371	8,005
Plant and equipment	2,159	2,131
Total depreciation	27,119	26,133
Intangible assets	548	604
Total amortisation	548	604
Total depreciation and amortisation	27,667	26,737

Refer to note 5.2 (b) and 6.2 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. The cost of delivering services (continued)

	2019 \$'000	2018 \$'000
Note 4.4 Bad and doubtful debts		
Other debtors	440	448
Total bad and doubtful debts	440	448
Movement in provision for doubtful debts		
Balance at the beginning of the year	265	382
New provisions recognised during the year	203	44
Amounts already provided for and written off as uncollectible	(40)	(78)
Amounts provided for but recovered during the year	(14)	(83)
Balance at end of year (Refer Note 5.1 trade and other receivables)	414	265
Provision for doubtful debts is recognised based on expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment. Bad debts are written off when identified.		
Note 4.5 Borrowing costs		
Interest – borrowings	937	1,096
Total borrowing costs	937	1,096
Borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs include interest on bank overdrafts and interest on borrowings.		
Note 4.6 Other expenses		
Council contributions and grants	6,879	7,008
Operating lease rentals	483	423
Councillors allowances	375	368
Councillors other expenses and reimbursements	74	74
Auditors remuneration - internal	56	62
Auditors remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	57	56
Auditors remuneration - internal acquittals	12	9
Total other expenses	7,936	8,000

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. The cost of delivering services (continued)

	2019 \$'000	2018 \$'000
Note 4.7 Net gain / (loss) on disposal of property, infrastructure and plant and equipment		
(a) Assets held for sale		
Proceeds from sale of assets held for sale	-	838
Written down value of assets held for sale	-	(1,051)
Total net loss on disposal of assets held for sale	-	(213)
Loss on sale of an asset is recognised when the control of the asset has passed to the buyer.		
(b) Property, infrastructure and plant and equipment		
Proceeds from sale of assets	716	456
Written down value of assets disposed	(3,508)	(1,787)
Total net loss on disposal of property, plant and equipment and infrastructure	(2,792)	(1,331)
Loss on sale of an asset is recognised when the control of the asset has passed to the buyer.		
Total net loss on disposal of property, plant and equipment and infrastructure	(2,792)	(1,544)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 5 Our financial position

	Note	2019 \$'000	2018 \$'000
Note 5.1 Financial assets			
(a) Cash and cash equivalents			
Deposits at call		51,000	38,500
Cash at bank		16,872	16,232
Cash on hand		4	4
Total cash and cash equivalents		67,876	54,736
(b) Other financial assets			
Term deposits - current		-	13,500
Total other financial assets		-	13,500
Council's cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:			
Trust funds and deposits	5.3 (b)	2,165	2,079
Museum of Lilydale Gift Fund		22	20
Total restricted funds		2,187	2,099
Total unrestricted cash and cash equivalents		65,689	66,137
Intended allocations			
Although not externally restricted the following amounts have been allocated for specific purposes by Council:			
- Cash held to fund carried forward capital works		6,409	19,221
- Funding received in advance held to deliver capital projects		11,032	-
- Development of recreational land	9.1	10,970	10,983
- Government grants	3.4	16,136	7,380
- Capital grants received during the financial year and remained unspent at balance date	3.4	(10,979)	(4,017)
Total funds subject to intended allocations		33,568	33,567

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

Other financial assets include bank term-deposits with original maturity of over 90 days.

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 revenue or expense.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 5 Our financial position (continued)

Note 5.1 Financial assets (continued)

	Note	2019 \$'000	2018 \$'000
(c) Trade and other receivables			
Current			
<i>Statutory receivables</i>			
Rates debtors		21,254	18,829
Less: provision for doubtful debts - rates debtors		(111)	(111)
Special rate and charges		608	628
Environmental upgrade agreement receivables		325	-
Net GST receivables		3,318	1,982
Infringement debtors		1,336	1,453
Less: Provision for doubtful debts - infringements		(255)	(101)
<i>Non statutory receivables</i>			
Other debtors		2,954	5,160
Less: provision for doubtful debts - other debtors		(48)	(53)
Total current trade and other receivables		29,381	27,787
Non-current			
<i>Statutory receivables</i>			
Special rates and charges		1,956	2,415
<i>Non statutory receivables</i>			
Other debtors [#]		-	858
Total non-current trade and other receivables		1,956	3,273
Total trade and other receivables		31,337	31,060
Short term and long term receivables are carried at invoice amount. Overdue Rate receivables incur interest at 10%. A provision for doubtful debts is recognised based on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment.			
[#] Other debtors of \$858k for 2018 related to the non-current component of Public Open Space contribution for Eastridge development at Maroondah Highway - Chirnside Park. This was received earlier than anticipated in 2018-19.			
d) Ageing of other debtors			
The ageing of Council's other debtors was:			
Current (not yet overdue)		1,107	3,446
Past due by up to 30 days		184	210
Past due between 31 and 180 days		96	375
Past due between 181 and 365 days		194	191
Past due by more than 1 year		1,373	938
Total other trade and other receivables		2,954	5,160
e) Ageing of individually impaired trade and other receivables			
At balance date, other debtors representing financial assets with a nominal value of \$47,825 (2018: \$53,063) were impaired. The amount of the provision raised against these debtors was \$47,825 (2018 \$53,063). The individually impaired debtors relate to other debtors and have been impaired based on expected credit loss model.			
The ageing of trade and other receivables that have been individually determined as impaired at reporting date was:			
Past due between 31 and 180 days		7	13
Past due between 181 and 365 days		-	3
Past due by more than 1 year		41	37
Total impairment of trade and other receivables		48	53

Notes to the Financial Statements

for the year ended 30 June 2019

Note 5 Our financial position (continued)

	Note	2019 \$'000	2018 \$'000
Note 5.2 Non-financial assets			
(a) Other assets			
Accrued income		779	796
Prepayments		1,880	1,078
Total other assets		2,659	1,874
(b) Intangible assets - software			
Gross carrying amount			
Balance at 1 July		4,298	3,965
Additions		103	333
Balance at 30 June		4,401	4,298
Accumulated amortisation and impairment			
Balance at 1 July		(3,150)	(2,546)
Amortisation expense		(548)	(604)
Balance at 30 June		(3,698)	(3,150)
Net book value at the end of the year		703	1,148

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 5 Our financial position (continued)

	2019 \$'000	2018 \$'000
Note 5.3 Payables		
(a) Trade and other payables		
Trade payables	11,332	11,203
Accrued expenses	4,301	5,116
Prepaid income	1,378	971
Loan interest accrued	24	30
Total trade and other payables	17,035	17,320
(b) Trust funds and deposits		
Refundable deposits	1,548	1,507
Retention amounts	89	265
Fire services property levy	203	307
Environmental upgrade agreement payables	325	-
Total trust funds and deposits	2,165	2,079

Trade creditors and other current liabilities are amounts due to external parties for the purchase of goods and services and are recognised as liabilities when the goods and services are received. Trade creditors are normally paid 30 days from date of invoice. Interest is not payable on these liabilities.

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 services property levy - Council is the collection agent for the 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.

Environmental Upgrade Agreements (EUA) - EUA is an agreement between a property owner, a bank and local government that facilitates a building upgrade to improve energy efficiency. The Local Government Act 1989 allows Council to enter into an EUA with business or commercial property owners to finance environmental upgrades, such as solar power or water efficiency, and repay the loan through their council rates. Councils do not provide any funding but levy an environmental upgrade charge on the owner/occupier and administer the payment of the charge in line with the agreement. The funds collected by council are transferred to Sustainable Melbourne Fund, the lending body.

During 2018-19, Council entered into EUAs with four business organisations and \$325k were outstanding as receivable, as shown under Note 5.1(c), and payable as shown in the above Note 5.3 (b) as at 30 June 2019.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 5 Our financial position (continued)

	2019 \$'000	2018 \$'000
Note 5.4 Interest-bearing liabilities		
Current		
Borrowings – secured	3,475	3,312
Total current interest-bearing loans and borrowings	3,475	3,312
Non-current		
Borrowings – secured	13,787	17,262
Total non-current interest-bearing loans and borrowings	13,787	17,262
Total interest-bearing loans and borrowings	17,262	20,574
Borrowings are secured against rate income.		
The maturity profile for Council's borrowings is:		
Not later than one year	3,475	3,312
Later than one year and not later than five years	13,147	14,151
Later than five years	640	3,111
Total interest-bearing loans and borrowings	17,262	20,574
Aggregate carrying amount of interest-bearing loans and borrowings:		
Current	3,475	3,312
Non-current	13,787	17,262
Total interest-bearing loans and borrowings	17,262	20,574

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. Council determines the classification of its interest bearing liabilities at initial recognition.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 5 Our financial position (continued)

	Employee \$'000	Landfill restoration \$'000	Special rates and charges \$'000	Other \$'000	Total \$'000
Note 5.5 Provisions					
2019					
Balance at the beginning of the financial year	15,517	4,171	678	5	20,371
Additional provisions	2,413	1,702	48	1	4,164
Amounts used	(1,777)	(1,934)	(156)	-	(3,867)
Increase / (decrease) in the discounted amount arising because of time and effect of any change in discount rate	202	110	-	-	312
Balance at the end of the financial year	16,355	4,049	570	6	20,980
2018					
Balance at the beginning of the financial year	15,291	3,355	640	5	19,291
Additional provisions	1,499	2,359	163	-	4,021
Amounts used	(1,257)	(1,536)	(125)	-	(2,918)
Increase in the discounted amount arising because of time and effect of any change in discount rate	(16)	(7)	-	-	(23)
Balance at the end of the financial year	15,517	4,171	678	5	20,371
				2019	2018
				\$'000	\$'000
(a) Employee provisions					
Current provisions expected to be settled within 12 months					
Annual leave				4,776	4,653
Long service leave				964	884
Other entitlements				158	153
Total current employee provisions expected to be settled within 12 months				5,898	5,690
Current provisions expected to be settled after 12 months					
Annual leave				49	46
Long service leave				8,679	7,953
Total current employee provisions expected to be settled after 12 months				8,728	7,999
Total current employee provisions				14,626	13,689
Non-current					
Long service leave				1,729	1,810
Other entitlements				-	18
Total non-current employee provisions				1,729	1,828
Aggregate carrying amount of employee provisions					
Current				14,626	13,689
Non-current				1,729	1,828
Total employee provisions				16,355	15,517

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 and annual 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 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 5 Our financial position (continued)

Note 5.5 Provisions (continued)

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Current Liability - unconditional LSL representing 7 years or more of service is disclosed as a current liability even when Council does not expect to settle the liability within 12 months as it will not have the unconditional right to defer settlement of the entitlement should an employee take leave within 12 months.

Non-current liability - conditional LSL that has been accrued, where an employee is yet to reach 7 years, is disclosed as a non-current liability. There is an unconditional right to defer settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

The following assumptions were adopted in measuring the present value of employee provisions:

	2019 \$'000	2018 \$'000
Weighted average increase in employee costs	2.25%	2.50%
Weighted average discount rates	1.32%	2.65%

(b) Landfill restoration

Coldstream landfill has been closed to the receipt of refuse since May 2004, and Healesville landfill has been closed since 1998.

Rehabilitation plans and specifications have been approved by the EPA. Restoration work has commenced and is expected to be completed in the next few years.

The costs are expected to be in the order of \$4.05m, however this will be dependent on the availability of suitable cover material and the management and treatment of the landfill gas.

In addition to the above two landfill sites, Council continues to monitor the closed landfill sites at Lysterfield, Wesburn and Mt Evelyn. The ongoing monitoring charges for these have been factored into the calculation of the provision for landfill restoration.

	2019 \$'000	2018 \$'000
Landfill restoration		
Current	1,713	1,991
Non-current	2,336	2,180
Total landfill restoration	4,049	4,171

Council is obligated to restore landfill sites at Coldstream and Healesville to a particular standard under the Environment Protection Authority (EPA) Licences 'HS 1264 – Coldstream' and 'ES112 for Healesville'. The provision for landfill remediation 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 work required, forecast timing of the work and related costs.

The following assumptions were adopted in measuring the present value of landfill provisions:

Weighted average increase in costs	2.00%	2.00%
Weighted average discount rates	1.32%	2.65%

(c) Other provisions

Current

Special rates and charges	120	129
Other	6	5
Total current other provisions	126	134

Non-current

Special rates and charges	450	549
Total non-current other provisions	450	549
Total other provisions	576	683

Summary of provisions

Current	16,465	15,814
Non-current	4,515	4,557
Total provisions	20,980	20,371

Notes to the Financial Statements

for the year ended 30 June 2019

Note 5 Our financial position (continued)

	2019 \$'000	2018 \$'000
Note 5.6 Financing arrangements		
Bank overdraft	1,500	1,500
Credit card facilities	400	400
Total facilities	1,900	1,900
Used facilities	54	58
Unused facilities	1,846	1,842

	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
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Note 5.7 Commitments

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.

2019

Operating

Waste Management	11,527	11,815	23,414	-	46,756
Buildings maintenance	2,318	378	109	112	2,917
Roads maintenance	7,843	-	-	-	7,843
Open space management	1,758	990	720	757	4,225
Consultancies	3,445	3,019	4,866	366	11,696
Meals for delivery	54	-	-	-	54
Total operating commitments	26,945	16,202	29,109	1,235	73,491

Capital

Buildings	15,916	15,061	-	-	30,977
Roads	149	-	-	-	149
Other	3,891	329	118	-	4,338
Total capital commitments	19,956	15,390	118	-	35,464
Total commitments	46,901	31,592	29,227	1,235	108,955

2018

Operating

Waste management	11,918	12,201	15,159	-	39,278
Buildings maintenance	2,524	2,562	550	-	5,636
Roads maintenance	7,625	6,929	-	-	14,554
Open space management	1,608	993	-	-	2,601
Consultancies	1,614	996	342	8	2,960
Meals for delivery	550	-	-	-	550
Cleaning contracts for council buildings	660	-	-	-	660
Total operating commitments	26,499	23,681	16,051	8	66,239

Capital

Buildings	4,897	213	138	-	5,248
Roads	737	-	-	-	737
Drainage	110	-	-	-	110
Other	3,292	121	99	-	3,512
Total capital commitments	9,036	334	237	-	9,607
Total commitments	35,535	24,015	16,288	8	75,846

Operating commitments of 2018 have been restated to reflect the fixed component of the contractual commitments in Waste Management and Utilities.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 5 Our financial position (continued)

Note 5.8 Operating leases

	2019	2018
	\$'000	\$'000
Operating lease commitments		
At balance 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	783	799
Later than one year and not later than five years	907	736
Later than five years	954	1,029
Total operating leases	2,644	2,564

Lease payments for operating leases are recognised as an expense in the years in which they are incurred as this reflects the pattern of benefits derived by Council.

Note 6 Assets we manage

Note 6.1 Non-current assets classified as held for sale

Plant and equipment	14	-
Total non-current assets classified as held for sale	14	-

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6 Assets we manage (continued)

Note 6.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At cost/fair adjusted value 30 June 2018	Acquisitions	Contributions	Revaluation	Depreciation	Disposal	Transfers	At cost/fair value 30 June 2019
Property	522,498	5,358	149	19,574	(8,371)	(453)	1,478	540,233
Plant and equipment	8,534	2,666	-	-	(2,159)	(253)	(220)	8,568
Infrastructure	478,961	15,810	1,009	(7,554)	(16,589)	(2,802)	9,340	478,175
Work in progress	18,732	28,810	-	-	-	-	(12,058)	35,484
Total	1,028,725	52,644	1,158	12,020	(27,119)	(3,508)	(1,460)	1,062,460

Summary of Work in Progress (WIP)

	Opening WIP 1 July 2018	Additions	Transfers	project expenditure reclassification	Closing WIP 30 June 2019
Property	3,875	7,891	(1,468)	(10)	10,288
Plant and equipment	-	11	-	-	11
Infrastructure	14,857	20,908	(9,164)	(1,416)	25,185
Total	18,732	28,810	(10,632)	(1,426)	35,484

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6 Assets we manage (continued)

Note 6.2 Property, infrastructure, plant and equipment (continued)

Note	Adjusted opening balance			Movements in fair value					Movements in accumulated depreciation					Closing balance			
	At cost / fair value 1 July 2018	Accumulated depreciation at 1 July 2018	Written down at value at 1 July 2018	Acquisition of assets	Contributed assets	Revaluation increments / decrements	Cost / fair value of assets disposed	Transfers	Total	Depreciation and amortisation	Revaluation increments / decrements	Accumulated depreciation of disposals	Transfers	Total	At cost / fair value 30 June 2019	Accumulated depreciation at 30 June 2019	Written down value at 30 June 2019
	\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	
Land and Buildings at Fair Value																	
Land																	
Land - specialised	306,525	-	306,525	-	-	7,292	-	-	7,292	-	-	-	-	-	313,817	-	313,817
Land - non specialised	29,815	-	29,815	-	-	2,542	(225)	-	2,317	-	-	-	-	-	32,132	-	32,132
Land – other controlled	25,240	-	25,240	-	-	783	-	-	783	-	-	-	-	-	26,023	-	26,023
Land improvements	9,041	(4,319)	4,722	103	-	-	-	-	103	(308)	-	-	-	(308)	9,144	(4,627)	4,517
Total land	370,621	(4,319)	366,302	103	-	10,617	(225)	-	10,495	(308)	-	-	-	(308)	381,116	(4,627)	376,489
Buildings																	
Heritage buildings	5,497	(125)	5,372	-	-	(65)	-	-	(65)	(125)	250	-	-	125	5,432	-	5,432
Buildings - specialised	153,334	(6,801)	146,533	4,691	149	(6,302)	(2,231)	864	(2,829)	(5,613)	10,409	2,003	(2)	6,797	150,505	(4)	150,501
Buildings - non specialised	1,245	(439)	806	-	-	4,430	-	-	4,430	(1,926)	235	-	-	(1,691)	5,675	(2,130)	3,545
Building improvements	3,261	(1,111)	2,150	564	-	-	-	616	1,180	(339)	-	-	-	(339)	4,441	(1,450)	2,991
Leasehold improvements	1,819	(484)	1,335	-	-	-	-	-	-	(60)	-	-	-	(60)	1,819	(544)	1,275
Total buildings	165,156	(8,960)	156,196	5,255	149	(1,937)	(2,231)	1,480	2,716	(8,063)	10,894	2,003	(2)	4,832	167,872	(4,128)	163,744
Work in progress	3,875	-	3,875	7,891	-	-	-	(1,478)	6,413	-	-	-	-	-	10,288	-	10,288
Total land and buildings	539,652	(13,279)	526,373	13,249	149	8,680	(2,456)	2	19,624	(8,371)	10,894	2,003	(2)	4,524	559,276	(8,755)	550,521
Plant and equipment at cost																	
Plant, machinery and equipment	14,866	(7,932)	6,934	2,329	-	-	(1,251)	(50)	1,028	(1,542)	-	998	37	(507)	15,894	(8,439)	7,455
Fixtures, fittings and furniture	2,515	(1,658)	857	207	-	-	-	(207)	-	(200)	-	-	-	(200)	2,515	(1,858)	657
Computers and telecomms	2,685	(1,942)	743	130	-	-	-	-	130	(417)	-	-	-	(417)	2,815	(2,359)	456
Work in progress	-	-	-	11	-	-	-	-	11	-	-	-	-	-	11	-	11
Total plant and equipment	20,066	(11,532)	8,534	2,677	-	-	(1,251)	(257)	1,169	(2,159)	-	998	37	(1,124)	21,235	(12,656)	8,579
Infrastructure at fair value																	
Roads (See note below*)	491,962	(272,376)	219,586	7,040	-	(110,644)	(11,730)	4,662	(110,672)	(7,124)	101,759	7,722	-	102,357	381,290	(170,019)	211,271
Footpaths and cycleways	75,751	(44,619)	31,132	1,315	-	-	(68)	937	2,184	(1,449)	-	9	-	(1,440)	77,935	(46,059)	31,876
Drainage	230,698	(98,028)	132,670	936	12	-	(375)	317	890	(2,813)	-	166	-	(2,647)	231,588	(100,675)	130,913
Bridges	34,781	(16,579)	18,202	-	-	-	866	-	866	(482)	-	183	-	(299)	35,647	(16,878)	18,769
Recreational, leisure and Community	87,658	(46,963)	40,695	4,065	997	-	(973)	1,977	6,066	(2,949)	-	1,343	(35)	(1,641)	93,724	(48,604)	45,120
Parks, open space and streetscapes	17,676	(8,927)	8,749	1,343	-	-	-	1,456	2,799	(729)	-	-	-	(729)	20,475	(9,656)	10,819
Off street car parks	28,000	(8,167)	19,833	48	-	-	78	27	153	(669)	-	(23)	(1)	(693)	28,153	(8,860)	19,293
Other Infrastructure	11,820	(6,222)	5,598	1,063	-	-	-	-	1,063	(374)	-	-	-	(374)	12,883	(6,596)	6,287
Work in progress	14,857	-	14,857	20,908	-	-	-	(10,580)	10,328	-	-	-	-	-	25,185	-	25,185
Total infrastructure	993,203	(501,881)	491,322	36,718	1,009	(110,644)	(12,202)	(1,204)	(86,323)	(16,589)	101,759	9,400	(36)	94,534	906,880	(407,347)	499,533
Other																	
Other	2,496	-	2,496	-	-	1,331	-	-	1,331	-	-	-	-	-	3,827	-	3,827
Total other	2,496	-	2,496	-	-	1,331	-	-	1,331	-	-	-	-	-	3,827	-	3,827
Total	1,555,417	(526,692)	1,028,725	52,644	1,158	(100,633)	(15,909)	(1,459)	(64,199)	(27,119)	112,653	12,401	(1)	97,934	1,491,218	(428,758)	1,062,460

* Roads include the sealed roads sections where both 'treatment' and 'wearing course' components exist. 'Wearing course' components for such sections of the roads have been revalued with zero replacement cost as Council will not replace the 'wearing course' components and only replace 'treatment' component, which will still provide full functionality of these roads.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6 Assets we manage (continued)

Note 6.2 Property, infrastructure, plant and equipment (continued)

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.

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

Asset recognition thresholds and depreciation periods

Major depreciation periods and threshold limits are listed below and are consistent with the prior year unless otherwise stated:

Asset category	Useful lives	Asset threshold limit (\$)
Property		
Land	-	5,000
Land improvements	10-50	1,000
Buildings	50	5,000
Building and leasehold improvements	5-30	1,000 - 5,000
Plant and equipment		
Light plant and equipment	6-10	1,500
Heavy plant and equipment	12	1,500
Motor vehicles	6-8	1,500
Fixtures, fittings and furniture	5-10	1,000
Computers and telecommunication	3-5	1,000
Infrastructure		
Road sub base	100 - 125	5,000
Road base	100 - 135	5,000
Road surface	12-60	5,000
Road treatments	12-30	5,000
Road kerb and channel	50	1,000
Road inventory	30	1,000
Footpaths and cycleways	25-50	1,000
Drainage	50-100	1,000
Bridges	30-120	5,000
Recreational, leisure and community facilities	5-50	1,000
Parks, open space and streetscape	10-50	500
Off street car parks	15-120	1,000
Other infrastructure	25-50	1,000
Intangible assets		
Software	5	10,000
Other		
Art work	-	5,000

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6 Assets we manage (continued)

Note 6.2 Property, infrastructure, plant and equipment (continued)

Land under roads

AASB 1051 - Land Under Roads provides four options (as below) to recognise Land Under Roads:

- (i) recognise all land under roads at fair value (preferred option)
- (ii) recognise all land under roads at (deemed) cost
- (iii) recognise land under roads acquired after 1 July 2008 at fair value
- (iv) recognise land under roads acquired after 1 July 2008 at (deemed) cost

Council has elected to use the option to recognise land under roads acquired after 1 July 2008 at (deemed) cost, which is calculated based on the site value of the municipality per m² discounted by 90% for englobo (undeveloped and / or unserviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services.

Depreciation and amortisation of property, infrastructure, plant and equipment and intangibles

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

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

Land and 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.

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 costs are capitalised and depreciated. The carrying value of the replaced asset is expensed.

Leasehold improvements

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date, leasehold improvements are amortised over a 30 year period.

Valuation of land and buildings

The valuation of land and buildings 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.

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.

Valuation of Council's land and building has been conducted in June 2019 by Council's qualified independent valuer - Herron Todd White Ltd (Chris Johnson, API Membership Number 62481). Details of Council's land and buildings, information about the fair value hierarchy as at 30 June 2019 and the date of the latest valuation is detailed in the following table.

Council's land improvement assets have not been revalued during the year 2018-19. An indexed based revaluation of land improvement assets was conducted in 2015-16. This valuation was based on the Victorian Producers Price Index.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Date of Valuation
Property				
Land	-	32,132		06/19
Specialised land	-	-	339,840	06/19
Land improvements	-	-	4,517	06/16
Heritage buildings	-	-	5,432	06/19
Buildings	-	3,545	150,501	06/19
Building improvements	-	-	2,991	N/A
Leasehold improvements	-	-	1,275	N/A
Total	-	35,677	504,556	

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6 Assets we manage (continued)

Note 6.2 Property, infrastructure, plant and equipment (continued)

Valuation of infrastructure

Council's Roads assets have been valued at June 2019. A valuation of Council's other infrastructure assets was conducted as set out below at fair value based on replacement cost (Greenfields approach) less accumulated depreciation as at the date of valuation. Details of Council's infrastructure, information about the fair value hierarchy as at 30 June 2019 and the date of the current valuation is detailed in the following table:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Date of Valuation
Roads			211,271	06/19
Footpaths and cycleways			31,876	06/16
Drainage			130,913	06/16
Bridges			18,769	06/16
Recreational, leisure and community			45,120	06/18
Parks, open space and streetscapes			10,819	06/16
Off street car parks			19,293	06/16
Other infrastructure			6,287	06/16
Total	-	-	474,348	

Description of significant unobservable inputs into level 3 valuations:

Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$1 and \$1,442 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 \$5 and \$9,195 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 1 year to 50 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 5 years to 135 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.

Reconciliation of specialised land

	2019 \$'000	2018 \$'000
Land under roads	188	188
Parks and reserves	339,652	331,577
Total specialised land	339,840	331,765

Valuation of Art Work

Council's Art Work assets, included in the asset class 'Other', have been valued as at 30 June 2019. The valuation was conducted by Simon Storey Valuers. The fair value of the valuation is \$1.33m.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6 Assets we manage (continued)

	Note	2019 \$'000	2018 \$'000
Note 6.3 Investments in associates, joint arrangements and subsidiaries			
Investments in Associates accounted for using the equity method are:			
Eastern Regional Library Corporation		4,899	4,706
Total investment in associates		4,899	4,706
On 1 July 1996 the Eastern Regional Library Corporation (ERL) commenced operations. Yarra Ranges Shire Council recognises its interest in the net assets of the ERL as an investment in accordance with AASB 128 'Investments in Associates'. In 2018 Council's interest was 38.72% of net assets (2017 38.72%). This is based on the audited statements of the ERL.			
Fair Value in Council's investment in Eastern Regional Library		4,899	4,706
Council's share of accumulated surplus / (deficit)			
Council's share of accumulated surplus at start of year		4,706	4,236
Reported surplus for year		193	470
Council's share of accumulated surplus at end of year		4,899	4,706
Movement in carrying value of specific investment:			
Carrying value of investment at start of year		4,706	4,236
Share of surplus for year		193	470
Carrying value of investment at end of year		4,899	4,706
Council's share of expenditure commitments:			
Operating commitments		233	457
Total commitments		233	457

Associates are all entities over which Council has significant influence but not control or joint control. Council's investment in associates is accounted for by the equity method as Council has the ability to influence rather than control the operation of the entity. The investment is initially recorded at the cost of acquisition and adjusted thereafter for post-acquisition changes in Council's share of the net assets of the entity. Council's share of the financial result of the entity is recognised in the Comprehensive Income Statement.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. People and relationships

Note 7.1 Council and key management remuneration

(a) Related parties

Subsidiaries and Associates

Interests in subsidiaries and associates are detailed in note 6.3.

(b) Key management personnel

Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:

Councillors

Tony Stevenson	1 July 2018 to 30 June 2019. Mayor 12 November 2018 to 30 June 2019.
Len Cox	1 July 2018 to 30 June 2019. Mayor 1 July 2018 to 11 November 2018.
Noel Cliff	1 July 2018 to 30 June 2019
Jim Child	1 July 2018 to 30 June 2019
Terry Avery	1 July 2018 to 30 June 2019
Fiona McAllister	1 July 2018 to 30 June 2019
Mike Clarke	1 July 2018 to 30 June 2019
Richard Higgins	1 July 2018 to 30 June 2019
Tim Heenan	1 July 2018 to 30 June 2019
Chief Executive Officer	1 July 2018 to 30 June 2019
Director Corporate Services	1 July 2018 to 30 June 2019
Director Social and Economic Development	1 July 2018 to 24 August 2018
Director Environment and Engineering	1 July 2018 to 30 June 2019
Acting Director Corporate Services	20 August 2018 to 16 November 2018 and 17 November 2018 to 14 December 2018
Acting Director Social and Economic Development	27 August 2018 to 30 June 2019
Acting Director Environment and Engineering Services	17 December 2018 to 4 Jan 2019 and 7 Jan 2019 to 1 Feb 2019

	2019	2018
	No	No
Total Number of Councillors	9	9
Total of Chief Executive Officer and other Key Management Personnel (See note below *)	10	4
Total key management personnel	19	13

* This includes five senior officers who acted as Directors while the positions were vacant.

(c) Remuneration of key management personnel

Total remuneration of key management personnel was as follows:

Short-term benefits	1,564	1,607
Long-term benefits	13	28
Total (See note below #)	1,577	1,635

This includes \$266k paid to senior officers in 2019, identified as key management personnel, when they acted as Directors for the period as specified in the note 7(b) above.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. People and relationships (continued)

Note 7.1 Council and key management remuneration (continued)

(c) Remuneration of key management personnel continued

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

	2019 No	2018 No
\$0 - \$9,999	1	-
\$10,000 - \$19,999	2	-
\$30,000 - \$39,999	7	7
\$50,000 - \$59,999	1	1
\$60,000 - \$69,999	1	-
\$70,000 - \$79,999	-	1
\$80,000 - \$89,999	2	-
\$130,000 - \$139,999	1	-
\$140,000 - \$149,999	1	-
\$190,000 - \$199,999	1	-
\$250,000 - \$259,999	-	1
\$260,000 - \$269,999	1	2
\$270,000 - \$279,999	1	-
\$390,000 - \$399,999	-	1
Total	19	13

(d) Senior officers remuneration

A Senior Officer, other than a key management personnel, is an officer of Council who:

- a) has management responsibilities and reports directly to the Chief Executive; or
- b) whose total annual remuneration exceeds \$148,000 (2018: \$145,000)

The number of Senior Officers, other than the key management personnel, are shown below in their relevant income bands:

Income range	2019 No	2018 No
\$150,000 - \$159,999	3	3
\$160,000 - \$169,999	2	1
\$170,000 - \$179,999	5	5
\$180,000 - \$189,999	1	1
\$190,000 - \$199,999	2	2
\$250,000 - \$259,999	1	-
Total	14	12
	2019 \$'000	2018 \$'000
Total remuneration for the reporting year for senior officers included above, amounted to (see note below *)	2,488	2,375

* This includes an amount of \$266k in 2019, related to remuneration paid to senior officers identified as key management personnel, which has also been included under Key Management Personnel remuneration. 2018 figures have been restated to align with the 2019 income range.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. People and relationships (continued)

Note 7.2 Related party disclosures

(a) Transactions with related parties

No transactions other than remuneration payments or the reimbursement of approved expenses were entered into by Council with related parties.

(b) Outstanding balances with related parties

There were no outstanding balances with related parties.

(c) Loans to/from related parties

No loan transactions were entered by Council with related parties.

(d) Commitments to/from related parties

There were no commitments in existence at balance date that have been made, guaranteed or secured by the council to a related party other than those related to the employment contracts of Key Management Personnel.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Managing uncertainties

Note 8.1 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

(a) Contingent assets

Subdivisions

There are 16 major subdivisions and other developments underway as at 30 June 2019, from which Council will receive certain assets. The maintenance of these assets will become Council's responsibility once control has passed to Council.

(b) Contingent liabilities

Defined benefits superannuation fund

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme to ensure that the liabilities of the fund are covered by the assets of the fund. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists. At this point in time it is not known if additional contributions will be required, their timing or potential amount.

Insurance

As a local authority with ownership of numerous parks, reserves, roads and other land holdings, Council regularly receives claims and demands allegedly arising from incidents which occur on land belonging to Council. There are 12 outstanding claims as at 30 June 2019 against Council in this regard currently lodged with our liability insurer. Council carries \$600 million of public liability insurance and had a deductible of \$20,000 in 2018-19. The accumulated deductible liabilities are \$230,000 as the maximum liability of Council in any single claim is the extent of its outstanding (unpaid) deductible. The primary insurer is MAV Insurance. There are no claims of which Council is aware which would fall outside the terms of Council's policy.

Bank guarantees

The amount disclosed for financial guarantee in this note is the outstanding amount of the underlying loan that is guaranteed by the Council, not the fair value of the financial guarantee. As at 30 June 2019, Council has provided bank guarantees for community groups totalling \$61,990 (2018: \$169,990). The bank guarantees are secured via a mortgage over Council rates. At balance date Council has received assurances from the clubs that they are continuing to meet all repayments in accordance with the requirements of the loan agreement.

Community organisation	Financial institution	Purpose	Original loan amount	Amount outstanding 30 June 2019	Year loan commenced
Kilsyth & Mountain District Basketball Association Sports Stadium	National Australia Bank	Extension of 2 multi-purpose courts	863,000	41,000	2009-2010
Montrose Football Club	Bendigo Bank	Assist with development of club	25,000	20,990	2014-2015
			888,000	61,990	

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.

Eastern Regional Waste Management Group – Provision for Rehabilitation of Narre Warren Landfill

Yarra Ranges Shire Council is a member of the Narre Warren Landfill User Group (NWUG) which has created a provision for the site rehabilitation at Narre Warren landfill. Yarra Ranges Shire Council has shared responsibility with the other members of the NWUG for the rehabilitation works. If costs exceed the provision, additional funding may be required as a contribution from the member Councils of the former Eastern Regional Waste Management Group (Least Waste), who managed the works on behalf of NWUG. As at 30 June 2019, NWUG held \$1,863,621.79 (2018: \$1,860,717.75) in trust for future liabilities. If this amount is insufficient to cover the liability, Council's share of the additional liability will be limited to 3.68%. The landfill rehabilitation works are complete and have been handed back to City of Casey. There was no financial contribution made for the 2018-19 financial year.

Enterprise Agreement negotiations

Yarra Ranges Shire Council Enterprise Agreement 2016 (EA) expired on 30 September 2018. Council endeavoured to negotiate a new EA with the Australian Services Union (ASU), the Australian Nursing and Midwifery Federation and Professionals Australia. However, Council and the Unions are at an impasse in relation to the quantum of the proposed pay increases and the wording around the transfer of business clause. Council organised information sessions for staff and a ballot has been deployed through the Australian Election Company to put the draft agreement out to a vote.

A possible obligation of \$920k exists as at 30 June 2019 in relation to the estimated back pay for existing staff, calculated based on an increment proposal of 2.25% by Council for 2018-19.

Note 8.2 Change in accounting standards

The following new Australian Accounting Standards have been issued that are not mandatory for the 30 June 2019 reporting period. Council has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

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

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

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Managing uncertainties (continued)

Note 8.2 Change in accounting standards (continued)

Leases (AASB 16) (applies 2019-20)

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

Council has elected to adopt the modified retrospective approach to the transition to the new lease standard. This will mean that only existing operating leases for non low value assets, with remaining terms greater than 12 months, will be recognised on transition (1 July 2019). Council has 42 operating leases, based on the current lease commitments, of which 10 will be impacted as a result of this change. This may result in approximately assets of \$1.5m and equivalent liability recognised.

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

This standard is expected to apply to certain transactions currently accounted for under AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable to not-for-profit entity to further its objectives. Council has identified transactions in relation to the volunteer services where consideration to acquire the service is significantly less than fair value. However, Council will not acquire these services at the same level due to funding constraints if no volunteer contributions are received.

Note 8.3 Financial instruments

(a) Objectives and policies

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 our financial instruments will fluctuate because of changes in market prices. 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. Our interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes us to fair value interest rate risk. Council does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating interest rates (on call investment account).

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,
- 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 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 has exposure to credit risk on some financial assets included in the Balance Sheet. Particularly significant areas of credit risk exist in relation to outstanding fees and fines as well as receivables from sporting clubs and associations.

To help manage this risk Council:

- has a policy for establishing credit limits for the entities we deal with;
- may require collateral where appropriate; and
- only invests surplus funds with financial institutions which have a recognised credit rating specified in our investment policy.

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Managing uncertainties (continued)

Note 8.3 Financial instruments (continued)

(c) Credit risk (continued)

Council may also be subject to credit risk for transactions which are not included in the balance sheet, such as when Council provides 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:

- has a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- has readily accessible standby facilities and other funding arrangements in place;
- has a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitors budget to actual performance on a regular basis; and
- sets limits on borrowings in line with its borrowing strategy specified in the Long Term Financial Plan.

Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 8.1 (b), 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. However, Council has changed its rating strategy to meet the rate cap and presents challenges to liquidity in future years.

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 -0.5% in market rates (AUD) from year-end cash rates of 1% as published by the Reserve Bank of Australia.

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. They 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Managing uncertainties (continued)

Note 8.4 Fair value measurement (continued)

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 on an asset result in changes to the permissible or practical highest and best use of the asset. Further details regarding the fair value hierarchy are disclosed at Note 6.2 Property, infrastructure, plant and equipment.

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis, ranging from 2 to 5 years. Art works are revalued every five 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.

Note 8.5 Natural disasters

In 2018-19 Yarra Ranges was affected by storms and floods which resulted in an increase in expenditure, particularly contractors and materials and services. The asset restoration works for the assets affected by these events were completed in 2018-19. The claims relating to some of these events were lodged with the Department of Treasury and Finance (DTF) in 2018-19 and the claims approved by DTF have been recognised as income in 2018-19.

	2019	2018
	\$'000	\$'000
Expenditure incurred is as follows:		
Contractors	240	693
Employee costs	3	-
General materials and services	-	290
Total natural disaster events	243	983

Grant funding assistance received for natural disaster events are disclosed in note 3.4.

Note 8.6 Events occurring after balance date

No matters have occurred after balance date that require disclosure in the financial report (2018:nil).

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9. Other matters

Note 9.1 Reserves

	Balance at beginning of reporting period	Increment (decrement)	Balance at end of reporting period
	\$'000	\$'000	\$'000
(a) Asset revaluation reserve			
2019			
Property			
Land	262,893	10,617	273,510
Land improvements	1,716	-	1,716
Buildings	42,107	8,957	51,064
Total property	306,716	19,574	326,290
Infrastructure			
Roads	123,249	(8,885)	114,364
Footpaths and cycleways	11,810	-	11,810
Drainage	58,254	-	58,254
Recreational, leisure and community facilities	18,609	-	18,609
Parks, open space and streetscape	2,110	-	2,110
Off-street car parks	12,277	-	12,277
Other infrastructure	1,985	-	1,985
Bridges	7,461	-	7,461
Total infrastructure	235,755	(8,885)	226,870
Total other	620	1,331	1,951
Total asset revaluation reserve	543,091	12,020	555,111
2018			
Property			
Land	262,893	-	262,893
Land improvements	1,716	-	1,716
Buildings	42,107	-	42,107
Total property	306,716	-	306,716
Infrastructure			
Roads	123,249	-	123,249
Footpaths	11,810	-	11,810
Drainage	58,254	-	58,254
Recreational, leisure and community facilities	8,010	10,599	18,609
Parks, open space and streetscape	2,110	-	2,110
Off-street car parks	12,277	-	12,277
Other infrastructure	1,985	-	1,985
Bridges	7,461	-	7,461
Total infrastructure	225,156	10,599	235,755
Total other	620	-	620
Total asset revaluation reserve	532,492	10,599	543,091

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9. Other matters (continued)

Note 9.1 Reserves (continued)

	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
(b) Other reserves				
2019				
Public open space / development of recreational land	10,983	1,806	(1,819)	10,970
Total other reserves	10,983	1,806	(1,819)	10,970

2018

Public open space / development of recreational land	7,501	4,192	(710)	10,983
Total other reserves	7,501	4,192	(710)	10,983

The Public Open Space Reserve was established to control contributions received from developers that will, upon completion of developments, be utilised to develop recreation and other facilities for residents in the respective development areas.

	2019 \$'000	2018 \$'000
Summary of reserves		
Asset revaluation reserve	555,111	543,091
Other reserves	10,970	10,983
Total reserves	566,081	554,074

Note 9.2 Reconciliation of cash flows from operating activities to surplus / (deficit)

	2019 \$'000	2018 \$'000
Surplus / (deficit) for the period	25,081	25,885
Depreciation and amortisation	27,667	26,737
Loss on disposal of property, plant and equipment and infrastructure	2,792	1,544
Contributions – non-monetary assets	(1,158)	(4,093)
Project expenditure reclassification	1,442	893
Finance costs	937	1,096
Bad debts written off	440	448
Movement in investment in Eastern Regional Library Corporation	(193)	(470)
<u>Change in assets and liabilities:</u>		
Increase / (decrease) in trade and other payables	(1,036)	2,295
(Increase) / decrease in trade and other receivables	(604)	(4,143)
(Increase) / decrease in other assets	(766)	341
Increase / (decrease) in trust funds	86	55
Increase / (decrease) in provisions	611	1,079
Net cash provided by operating activities	55,299	51,667

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9. Other matters (continued)

Note 9.3 Superannuation

Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (Vision Super), 'the Fund'. This fund has two categories of membership, accumulation and defined benefit, each of which is funded differently.

Council also makes employer superannuation contributions to various other funds of employees' choice. Obligations for contribution to these funds are recognised as an expense in the Comprehensive Income Statement when they are due.

Accumulation

The Fund's accumulation category, Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2019, this was 9.5% as required under Superannuation Guarantee legislation).

Defined benefits fund

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. 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. For the year ended 30 June 2019, this rate was 9.5% of members' salaries (9.5% in 2017-18).

As at 30 June 2018, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 106%. To determine the VBI, the Fund Actuary used the following long-term assumptions:

Net investment returns 6% pa

Salary inflation 3.5% pa

Price inflation (CPI) 2% pa

The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2018 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

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

2018 interim actuarial investigation surplus amounts

The Fund's interim actuarial investigation as at 30 June 2018 identified the following in the Defined Benefit category of which Council is a contributing employer:

A VBI surplus of \$131.9 million; and

A total service liability surplus of \$218.3 million.

A discounted accrued benefits surplus of \$249.1 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 2018. The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses. Council was notified of the 30 June 2018 VBI during August 2018.

2019 interim actuarial investigation

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

Note 9. Other matters (continued)

Note 9.4 Prior period adjustments

		Audited Statements 2018 \$'000	Adjustments 2018 \$'000	Amended Statements 2018 \$'000
	Note			
Restatement of Balance Sheet				
ASSETS				
Total current assets		97,897	-	97,897
Non-current assets				
Property, infrastructure and plant and equipment (See comment below #)	6.2	1,037,101	(8,376)	1,028,725
Other non-current assets		9,127	-	9,127
Total non-current assets		1,046,228	(8,376)	1,037,852
Total assets		1,144,125	(8,376)	1,135,749
Total liabilities		60,344	-	60,344
Net assets		1,083,781	(8,376)	1,075,405

EQUITY

Accumulated surplus		529,707	(8,376)	521,331
Reserves		554,074	-	554,074
Total equity		1,083,781	(8,376)	1,075,405

In 2018-19, Council conducted a data validation exercise on its infrastructure assets. During the process it was discovered that there were assets that were non Council owned assets in the database requiring de-recognition. Offsetting these were Council owned found assets that were not included in the database and not valued as a result. As a result of the data validation, Council is required to adjust the written down values of such assets. A third balance sheet has not been presented to disclose the prior year adjustments as they were considered not material to the comparative amounts in the Balance Sheet. The net changes are displayed in the following table and prior period adjustments have been made in respect of the following non-current assets:

Found Assets

Asset	Replacement Cost	Accumulated Depreciation	Written Down Value
Drainage	475	(175)	300
Footpaths	19	(17)	2
Total	494	(192)	302

Derecognised Assets

Asset	Replacement Cost	Accumulated Depreciation	Written Down Value
Drainage	(9,732)	4,602	(5,130)
Footpaths	(5,292)	1,744	(3,548)
Total	(15,024)	6,346	(8,678)

Net adjustment for found and derecognised assets	(14,530)	6,154	(8,376)
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Performance Statement

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6 Assets we manage (continued)

Note 6.2 Property, infrastructure, plant and equipment (continued)

Land under roads

AASB 1051 - Land Under Roads provides four options (as below) to recognise Land Under Roads:

- (i) recognise all land under roads at fair value (preferred option)
- (ii) recognise all land under roads at (deemed) cost
- (iii) recognise land under roads acquired after 1 July 2008 at fair value
- (iv) recognise land under roads acquired after 1 July 2008 at (deemed) cost

Council has elected to use the option to recognise land under roads acquired after 1 July 2008 at (deemed) cost, which is calculated based on the site value of the municipality per m² discounted by 90% for englobo (undeveloped and / or unserviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services.

Depreciation and amortisation of property, infrastructure, plant and equipment and intangibles

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

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

Land and 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.

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 costs are capitalised and depreciated. The carrying value of the replaced asset is expensed.

Leasehold improvements

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date, leasehold improvements are amortised over a 30 year period.

Valuation of land and buildings

The valuation of land and buildings 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.

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.

Valuation of Council's land and building has been conducted in June 2019 by Council's qualified independent valuer - Herron Todd White Ltd (Chris Johnson, API Membership Number 62481). Details of Council's land and buildings, information about the fair value hierarchy as at 30 June 2019 and the date of the latest valuation is detailed in the following table.

Council's land improvement assets have not been revalued during the year 2018-19. An indexed based revaluation of land improvement assets was conducted in 2015-16. This valuation was based on the Victorian Producers Price Index.

	Level 1	Level 2	Level 3	Date of
	\$'000	\$'000	\$'000	Valuation
Property				
Land	-	32,132		06/19
Specialised land	-	-	339,840	06/19
Land improvements	-	-	4,517	06/16
Heritage buildings	-	-	5,432	06/19
Buildings	-	3,545	150,501	06/19
Building improvements	-	-	2,991	N/A
Leasehold improvements	-	-	1,275	N/A
Total	-	35,677	504,556	