

13.1 Unaudited 2018-19 Annual Financial Statements and Performance Statement

SUMMARY: Acting Manager, Business and Financial Services, James Morris

The unaudited 2018-19 Annual Financial Statements and Performance Statement are presented for consideration and approval in principle. These Statements were reviewed and endorsed by Council's Audit Committee at its meeting on Thursday 22 August 2019.

RECOMMENDATION

That Council:

- 1. Receive and adopt in principle the unaudited 2018-19 Annual Financial Statements (Attachment 1) and Performance Statement (Attachment 2) for the year ending 30 June 2019.**
- 2. Authorise the Principal Accounting Officer to make changes to the Financial Statement as determined by the Auditor-General; and that the Audit Committee be consulted prior to making any material amendments to these Statements as determined by the Auditor-General; and that material amendments be communicated to Council as soon as possible.**
- 3. Nominate and authorise Councillor and Councillor to certify (on behalf of Council) the 2018-19 Annual Financial Statement, in the final form.**

1. INTRODUCTION

BDO (agents of the Victorian Auditor-General's Office) has undertaken the external audit of the 2018-19 Annual Financial Statements and Performance Statement.

The Annual Financial Statements consisting of Financial Statements and Notes (refer Attachment 1) has been prepared in accordance with Australian Accounting Standards and Interpretations, the Local Government Act 1989 (the Act) and the Local Government (Planning and Reporting) Regulations 2014 (the Regulations).

The Audit Committee at its meeting of 22 August 2019, having reviewed the Annual Financial Statements and Performance Statement, recommended that Council adopt the unaudited 2018-19 Annual Financial Statements and Performance Statement on an in principle basis and submit them to the Victorian Auditor-General for final audit.

In accordance with Sections 131(4) and 131(5) of the Act, and Sections 18 and 21 of the Regulations, the completed Annual Financial Statements and Performance Statement are to be certified by the Principal Accounting Officer, Chief Executive Officer and two Councillors (on behalf of Council) having regard to the recommendations, if any, from the Victorian Auditor-General.

2. DISCUSSION

Annual Financial Statements

The unaudited Financial Statements indicate the performance for the year and the financial position of Council as at 30 June 2019. While the external audit has not yet been finalised, it is expected there will be no major changes to the Statements as presented.

Council ended the financial year in a strong financial position. Council's surplus for 2019 was \$25.559 million, which was a favourable variance of \$10.341 million when compared to the 2018-19 Adopted Budget surplus of \$15.218 million. The key variances were:

- 50% prepayment of 2019-20 Victoria Grants Commission Grants in June 2019 (\$3.267 million for General Purpose Grants and \$0.582 million for Local Road Funding).
- Higher than anticipated monetary contributions of which \$1.644 million is reflective of the level of development across the municipality and \$0.430 million being a contribution towards the Stamford Park upgrade. A further \$0.100 million is an unbudgeted donation received towards capital works at Batterham Reserve. This is offset by the delay in the receipt of an initial \$1.125 million social contribution towards Kingston Links.
- Lower than budgeted materials and services (\$8.983 million). There is a continued focus on the containment of operating costs throughout Council, whilst maintaining services for the community. Further contributing to this variance is a \$9.034 million reduction in capital works expenditure that is operational in nature due to the carry forward of capital works to 2019-20 and a reduced percentage of capital works expenditure being operational in nature.
- Lower than budgeted depreciation and amortisation (\$1.809 million) due to the carry forward of capital works from 2017-18 into 2018-19 and from 2018-19 into 2019-20.
- A loss on disposal of property, infrastructure, plant and equipment of \$0.424 million against a budgeted gain of \$5.692 million due to the delay in the sale of Kingston Links land (\$7.600 million).

The Balance Sheet reflects a strong position with a Working Capital ratio (liquidity) of 2.37:1 or 237%. This is consistent with last year.

Total cash holdings (cash on hand and term deposits) were \$56.245 million at balance date.

Performance Statement

Section 131(2)(b) of the Local Government Act 1989 requires the annual report to include an audited Performance Statement. The Performance Statement report results of indicators established by the Victoria Local Government Performance Reporting Framework (LGPRF).

The Performance Statement includes the indicators, measures and results for the prescribed indicators of sustainable capacity, service performance and financial performance. To provide context to the results, the Statement must also contain a description of the municipal district including its size, location and population.

The Performance Statement provides four years of comparatives (2014-15, 2015-16, 2016-17 and 2017-18) to provide trend data.

The Local Government (Planning and Reporting) Regulations 2014 require councils to provide commentary for all material variations in the results between the current year and previous years. Management has set its material threshold at plus or minus 10% of the previous year's result.

Based on this materiality threshold, eight results for the prescribed indicators are reporting a material variance requiring comment. Council has provided comments to assist readers in interpreting the results.

3. CONSULTATION

This report does not require consultation. The 2018-19 Annual Financial Statements and Performance Statement will be publicly available as part of the 2018-19 Annual Report.

4. ENVIRONMENTAL/AMENITY ISSUES

This report does not have any environmental or amenity issues for discussion.

5. FINANCIAL & ECONOMIC IMPLICATIONS

The 2018-19 Annual Financial Statements and Performance Statement report on Council's financial and non-financial performance for the financial year.

6. SOCIAL IMPLICATIONS

This report does not have any social implications for discussion.

7. RELEVANCE TO KNOX COMMUNITY AND COUNCIL PLAN 2017-2021

Goal 8 - We have confidence in decision making

Strategy 8.1 - Build, strengthen and promote good governance practices across government and community organisations

8. CONFLICT OF INTEREST

Under section 80c of the Local Government Act 1989 officers providing advice to Council must disclose any interests, including the type of interest.

Author - Acting Manager, Business and Financial Services, James Morris - In providing this advice as the Author, I have no disclosable interests in this report.

Officer Responsible – Director, Corporate Services, Michael Fromberg - In providing this advice as the Officer Responsible, I have no disclosable interests in this report.

9. CONCLUSION

The 2018-19 Annual Financial Statements indicate that Council's overall financial position is strong. The 2018-19 Performance Statement highlights Council's performance successes over the financial year.

10. CONFIDENTIALITY

There are no items of a confidential nature in this report.

Report Prepared By: **Acting Manager, Business and Financial Services, James Morris**

Report Authorised By: **Director, Corporate Services, Michael Fromberg**

Attachments

1. Attachment 1 - Unaudited 2018-19 Annual Financial Statements [**13.1.1**]
2. Attachment 2 - 2018-19 Draft Performance Statement [**13.1.2**]

KNOX
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Financial Report

For the Year Ended 30 June 2019

Financial Report

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Certification of the Financial Statements

Statement by Principal Accounting Officer

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.

James Morris

Principal Accounting Officer

Date:

Wantirna South

Statement by Councillors and Chief Executive Officer

In our opinion, the accompanying financial statements present fairly the financial transactions of Knox City Council for the year ended 30 June 2019 and the financial position of the Council as at that date.

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

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

Cr Jake Keogh

Mayor

Date:

Wantirna South

Cr Peter Lockwood

Deputy Mayor

Date:

Wantirna South

Tony Doyle

Chief Executive Officer

Date:

Wantirna South

Victorian Auditor-Generals Certification of the Financial Report

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Victorian Auditor-Generals Certification of the Financial Report

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Comprehensive Income Statement

For the Year Ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Income			
Rates and charges	3.1	114,214	109,024
Statutory fees and fines	3.2	3,348	3,107
User fees	3.3	14,741	14,772
Grants - operating	3.4	24,336	23,246
Grants - capital	3.4	8,892	4,734
Contributions - monetary	3.5	9,835	8,808
Contributions -non-monetary	3.5	1,936	9,495
Other income	3.7	2,744	3,031
Share of net profits (or loss) of associates and joint ventures	6.3	182	441
Total income		180,228	176,658
Expenses			
Employee costs	4.1	(69,355)	(65,286)
Materials and services	4.2	(56,477)	(50,722)
Depreciation and amortisation	4.3	(20,688)	(19,986)
Bad and doubtful debts	4.4	(234)	(128)
Other expenses	4.5	(1,187)	(1,282)
Contributions and donations	4.6	(6,304)	(6,121)
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	3.6	(424)	(1,938)
Total expenses		(154,669)	(145,463)
Surplus for the year		25,559	31,195
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment	6.2	24,584	263,892
Total comprehensive result		50,143	295,087

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

Balance Sheet

As at 30 June 2019

	Note	2019 \$'000	2018 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1	33,145	17,651
Other financial assets	5.1	23,100	46,600
Trade and other receivables	5.1	17,311	13,128
Other Assets	5.2	1,111	1,573
Inventories		9	7
Non-current assets classified as held for sale	6.1	1,194	1,718
Total current assets		75,870	80,677
Non-current assets			
Intangible assets	5.2	934	1,442
Property, infrastructure, plant and equipment	6.2	2,043,472	1,989,094
Investment in Eastern Regional Libraries Corporation	6.3	4,604	4,422
Total non-current assets		2,049,010	1,994,958
Total assets		2,124,880	2,075,635
Liabilities			
Current liabilities			
Trade and other payables	5.3	14,131	14,690
Trust funds and deposits	5.3	2,035	3,683
Provisions	5.4	15,912	15,782
Total current liabilities		32,078	34,155
Non-current liabilities			
Provisions	5.4	5,913	4,735
Total non-current liabilities		5,913	4,735
Total liabilities		37,991	38,890
Net assets		2,086,889	2,036,745
Equity			
Accumulated surplus		683,276	658,229
Reserves	9.1	1,403,613	1,378,516
Total equity		2,086,889	2,036,745

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

Statement of Changes in Equity

For the Year Ended 30 June 2019

2019	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		2,036,745	658,229	1,335,985	42,531
Surplus for the year		25,559	25,559	-	-
Net asset revaluation increment/(decrement)	6.2	24,584	-	24,584	-
Transfers to other reserves	9.1	-	(12,858)	-	12,858
Transfers from other reserves	9.1	-	12,346	-	(12,346)
Balance at end of the financial year		2,086,889	683,276	1,360,569	43,043

2018	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		1,741,658	629,163	1,072,093	40,402
Surplus for the year		31,195	31,195	-	-
Net asset revaluation increment/(decrement)	6.2	263,892	-	263,892	-
Transfers to other reserves	9.1	-	(11,011)	-	11,011
Transfers from other reserves	9.1	-	8,882	-	(8,882)
Balance at end of the financial year		2,036,745	658,229	1,335,985	42,531

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

Statement of Cash Flows

For the Year Ended 30 June 2019

		2019	2018
		Inflows/ (Outflows)	Inflows/ (Outflows)
	Note	\$'000	\$'000
Cash flows from operating activities			
Rates and charges		114,661	107,114
Statutory fees and fines		3,401	3,114
User fees		10,815	14,441
Grants - operating		23,885	23,986
Grants - capital		8,892	4,660
Contributions - monetary		9,987	8,990
Interest received		1,285	1,333
Net GST refund		10,282	9,287
Other receipts		2,169	2,167
Net movement in trust deposits		(1,648)	(3,481)
Employee costs		(69,575)	(65,725)
Materials and services		(69,055)	(61,272)
Contributions and donations		(6,895)	(6,696)
Other payments		(1,254)	(1,379)
Net cash provided by operating activities		36,950	36,539
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	6.2	(47,238)	(41,293)
Proceeds from sales of property, infrastructure, plant and equipment		2,283	1,475
Payments for investments		(23,100)	(46,600)
Proceeds from sale of investments		46,600	49,100
Net cash used in investing activities		(21,456)	(37,318)
Cash flows from financing activities			
Repayment of borrowings		-	-
Finance costs		-	-
Net cash used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		15,494	(779)
Cash and cash equivalents at the beginning of the financial year		17,651	18,430
Cash and cash equivalents at the end of the financial year		33,145	17,651
Financing arrangements	5.6		
Restrictions on cash assets	5.1		

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

Statement of Capital Works

For the Year Ended 30 June 2019

	2019 \$'000	2018 \$'000
Property		
Land	-	2,615
Total land	<u>-</u>	<u>2,615</u>
Buildings	20,587	17,837
Total buildings	<u>20,587</u>	<u>17,837</u>
Total property	<u>20,587</u>	<u>20,452</u>
Plant and equipment		
Artworks	24	91
Plant, machinery and equipment	2,702	1,735
Fixtures, fittings and furniture	-	64
Computers and telecommunications	366	615
Total plant and equipment	<u>3,092</u>	<u>2,505</u>
Infrastructure		
Roads	8,282	9,178
Bridges	2,730	341
Footpaths and cycleways	3,868	3,882
Drainage	2,474	3,255
Recreational, leisure and community facilities	7,729	3,514
Off street car parks	1,137	1,310
Other infrastructure	219	103
Total infrastructure	<u>26,439</u>	<u>21,583</u>
Total capital works expenditure	<u>50,118</u>	<u>44,540</u>
Represented by:		
New asset expenditure	11,555	13,270
Asset renewal expenditure	22,694	21,857
Asset expansion expenditure	8,018	2,947
Asset upgrade expenditure	7,851	6,466
Total capital works expenditure	<u>50,118</u>	<u>44,540</u>

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

Notes on the Financial Statements

For the Year Ended 30 June 2019

Overview

Introduction

Knox City Council was established by an Order of the Governor in Council in 1994 and is a body corporate. The Council's main office is located at 511 Burwood Highway, Wantirna South, Victoria.

Statement of compliance

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

Significant accounting policies

(a) Basis of accounting

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

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

Actual results may differ from these estimates.

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment and intangibles (refer to Note 6.2)
- the determination of employee provisions (refer to Note 5.4)
- the determination of landfill rehabilitation provisions (refer to Note 5.4)
- other areas requiring judgements

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

(b) Rounding

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

Notes on the Financial Statements

For the Year Ended 30 June 2019

Note 1 Performance against budget

The performance against budget note compares 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 greater than ten percent and \$1,000,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 25 June 2018. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

Notes on the Financial Statements

For the Year Ended 30 June 2019

1.1 Income and expenditure

	Budget 2019 \$'000	Actual 2019 \$'000	Variance 2019 \$'000	Variance %	Ref
Income					
Rates and charges	113,584	114,214	630	1%	
Statutory fees and fines	3,022	3,348	326	11%	
User fees	16,028	14,741	(1,287)	-8%	
Grants - operating	20,002	24,336	4,334	22%	1
Grants - capital	9,105	8,892	(213)	-2%	
Contributions - monetary	8,405	9,835	1,430	17%	2
Contributions - non-monetary	2,000	1,936	(64)	-3%	
Share of net profit of associate	-	182	182	0%	
Other income	2,175	2,744	569	26%	
Total income	174,321	180,228	5,907	3%	
Expenses					
Employee costs	69,519	69,355	164	0%	
Materials and services	65,460	56,477	8,983	14%	3
Depreciation and amortisation	22,497	20,688	1,809	8%	
Contributions and donations	5,860	6,304	(444)	-8%	
Net loss (gain) on disposal of property, infrastructure, plant and equipment	(5,692)	424	(6,116)	107%	4
Bad and doubtful debts	65	234	(169)	-260%	
Other expenses	1,394	1,187	207	15%	
Total expenses	159,103	154,669	4,434	3%	
Surplus/(deficit) for the year	15,218	25,559	10,341	68%	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Grants - Operating	Grants – Operating is \$4.334 million higher than budget in part due to early receipt of 50% of the 2019-20 Victorian Grants Commission funds in June 2019 (\$3.267 million).
2	Contributions – monetary	\$1.643 million higher than budget in developers monetary contributions due to a higher than anticipated number of developments during the year. \$100 thousand unbudgeted donation received towards capital works at Batterham Reserve.
3	Materials and services	There is a continued focus on the containment of operating costs throughout Council, whilst maintaining services for the community. Further contributing to the \$8.983 million reduction in materials and services is a \$9.034 million reduction in operating projects expenditure unable to be completed due to the carry forward of capital works to 2019-20.
4	Net Loss/Gain on disposal of Property , Infrastructure, plant and Equipment	Net loss of \$0.424 million made on disposal of property, infrastructure, plant and equipment compared to a budgeted gain of \$5.692 million due to the delay in the sale of land that will now be finalised in 2019-20.

Notes on the Financial Statements

For the Year Ended 30 June 2019

1.2 Capital Works

	Budget 2019 \$'000	Actual 2019 \$'000	Variance 2019 \$'000	Variance 2019 %	Ref
Property					
Land	8,153	-	8,153	100%	1
Total land	8,153	-	8,153	100%	
Buildings	38,228	20,587	17,641	46%	2
Total buildings	38,228	20,587	17,641	46%	
Total property	46,381	20,587	25,794	56%	
Plant and equipment					
Artworks	212	24	188	89%	
Plant, machinery and equipment	2,084	2,702	(618)	-30%	
Fixtures, fittings and furniture	664	-	664	100%	
Computers and telecommunications	9,381	366	9,015	96%	3
Total plant and equipment	12,341	3,092	9,249	75%	
Infrastructure					
Roads	8,753	8,282	471	5%	
Bridges	7,246	2,730	4,516	62%	4
Footpaths and cycleways	4,355	3,868	487	11%	
Drainage	3,001	2,474	527	18%	
Recreational, leisure and community facilities	11,027	7,729	3,298	30%	5
Off street car parks	708	1,137	(429)	-61%	
Other infrastructure	1,187	219	968	82%	
Total infrastructure	36,277	26,439	9,838	27%	
Total capital works expenditure	94,999	50,118	44,881	47%	
Represented by:					
New asset expenditure	35,364	11,555	23,809	67%	
Asset renewal expenditure	29,310	22,694	6,616	23%	
Asset expansion expenditure	7,820	8,018	(198)	-3%	
Asset upgrade expenditure	22,505	7,851	14,654	65%	
Total capital works expenditure	94,999	50,118	44,881	47%	

(ii) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	Capital expenditure is lower than budget due to carry forward to 2019-20 of land Purchases relating to the Knox Central Project.
2	Buildings	Capital expenditure is lower than budget due to \$2.264 million of works being unable to be capitalised (mainly from building maintenance costs \$1.347 million), together with projects being capitalised under different classes (\$0.553 million) and works carried forward to 2019-20. Works carried forward to 2019-20 includes the operation centre relocation project (\$5.987 million), Stamford Park development (\$5.334 million), Modular Building Program (\$2.103 million) and the building renewal program (\$1.635 million).
3	Computers and telecommunications	Capital expenditure is lower than budget due to the delay in commencing the ICT Strategy. From this year, \$1.578 million of works delivered were not able to be capitalised and a total of \$7.327 million for both the ICT strategy and renewal capital expenditure is being carried forward.
4	Bridges	Capital expenditure is lower than budget mainly due to delay in Henderson Road Bridge construction; \$4.324 million is carried forward to 2019-20
5	Recreational, leisure and community facilities	Capital expenditure is lower than budget due to landscaping and planting works being unable to be capitalised (\$2.929million), projects being capitalised under different classes (\$0.435 million), and works carried forward to 2019-20. \$5.524 million in works carried forward to 2019-20 includes \$2.629 million for unstructured recreation capital works, \$0.963 million for renewal of active open space and \$0.784 million for the Playground Renewal Program. These are offset by \$4.334 million of works carried forward from 2017-18 to 2018-19.

Notes to the Financial Report

For the Year Ended 30 June 2019

Note

2.1 Analysis of Council results by program

Knox City Council delivers its functions and activities through the following programs.

2 (a) Corporate Services

The Corporate Services directorate incorporates Business and Financial Services, Governance and Strategy, Information Technology, Transformation and Communications. The purpose of the Directorate is to lead, develop and maximise the potential of the organisation and its people. It works in partnership with the organisation to uphold the organisation's reputation and provide the leadership, systems, processes and support to enable Knox teams to optimise performance and consistently deliver high quality outcomes in the pursuit of excellence.

Business and Financial Services exists to enable Council to comply with statutory requirements, provide strategic financial direction, and undertake essential business processes and to support the organisation with business and financial assistance and advice.

Governance and Strategy ensure that Council is complying with the statutory requirements associated with municipal elections, Council decisions (Chamber and delegated), information privacy, freedom of information and meeting procedure.

Information Technology provide a centralised approach to the management and maintenance of Council's Information Technology systems and services.

Transformation includes the customer service team that supports and enables the delivery of Council services, programs and information to the community.

Communications supports the organisation through coordinating, facilitating and managing a range of written and verbal media.

City Development

The City Development Directorate incorporates City Safety and Health, City Futures, and City Planning and Building. The Directorate's purpose relates directly to Council's purpose to enhance the quality of life of the Knox community.

City Safety and Health promotes and protects the safety, health and amenity of the community through the key functions of Emergency Management, Health Services and Local Laws.

City Futures purpose is to strategically work across the organisation and the community to understand and manage the changing city.

City Planning and Building covers planning and building approvals, subdivisions and enforcement.

Community Services

The Community Services Directorate incorporates Community Wellbeing, Family and Children's Services, Active Ageing and Disability Services and Youth, Leisure and Cultural Services. The Directorate is responsible for the management and delivery of a diverse range of community services and programs.

Community Wellbeing works strategically with the community and organisation to enable and contribute to the achievement of health and wellbeing outcomes for Knox.

Family and Children's Services delivers Council's early year's services across the municipality.

Active Ageing and Disability Services aims to make effective use of opportunities to enhance the physical, social and emotional wellbeing of older people that enables them active participation in society.

Youth, Leisure and Cultural Services purpose is to make Knox an active, resilient, creative and inclusive community.

Engineering and Infrastructure

The Engineering and Infrastructure Directorate incorporates Sustainable Infrastructure, Community Infrastructure and Operations. The Directorate is responsible for constructing new infrastructure and maintaining existing infrastructure across a very diverse range of assets that underpin the wellbeing of the community. These assets include capital works engineering services, environment and waste, city works, parks and gardens, emergency management and municipal resources.

Sustainable Infrastructure is responsible for waste management, local traffic management, and the management of the capital works program.

Community Infrastructure is responsible for the maintenance, renewal, upgrade and associated works of Council's buildings. It is also responsible for stormwater management, landscape and environmental design, and providing strategic direction in biodiversity enhancement.

Operations is responsible for asset rehabilitation and for reactive and proactive maintenance. It is also responsible for fleet management, and the maintenance of Council open space sand reserves.

CEO and Council

The CEO and Council Directorate incorporates the CEO, Council and Councillors, and People and Performance.

CEO responsibilities include establishing and maintaining an appropriate organisational structure for the council, managing interactions between council staff and Councillors, ensuring that Council decisions are implemented promptly, providing timely advice to Council, providing timely and reliable advice to the Council about its legal obligations, and overseeing the daily management of council operations following the Council Plan.

Council and Councillors includes the support services for Council's nine Councillors who have been elected by the residents and ratepayers of the municipality. This also includes Council functions such as citizenship ceremonies.

People and Performance provides strategic and operational leadership, services and programs around all aspects of human resource management.

Knox Central

The Knox Central Directorate supports Council's strategic direction for the Knox Central Activity Centre which serves a broad cross-section of the community within Knox and across the eastern suburbs of Melbourne.

Anchored by the shopping centre it includes retail, residential, industrial, commercial, educational uses, along with significant areas of open space.

Notes to the Financial Report

For the Year Ended 30 June

Note

2.1 Analysis of Council results by program

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

	Income	Expenses	Surplus/(Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2019					
Corporate Services	110,562	17,812	92,752	6,375	29,330
City Development	15,646	15,246	400	1,186	40,654
Community Services	23,961	50,746	(26,785)	16,932	580,618
Engineering and Infrastructure	29,895	64,497	(34,602)	8,644	1,392,536
CEO and Council	164	5,850	(5,686)	91	281
Knox Central	-	518	(518)	-	53
	180,228	154,669	25,559	33,228	2,043,472

	Income	Expenses	Surplus/(Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2018					
Corporate Services	106,967	17,791	89,176	6,502	29,481
City Development	13,442	14,636	(1,194)	784	38,165
Community Services	23,667	48,492	(24,825)	16,178	563,437
Engineering and Infrastructure	32,282	58,982	(26,700)	4,516	1,357,739
CEO and Council	300	5,204	(4,904)	-	229
Knox Central	-	358	(358)	-	43
	176,658	145,463	31,195	27,980	1,989,094

Notes on the Financial Statements

For the Year Ended 30 June 2019

Note 3 Funding for the delivery of our services

3.1 Rates and charges

Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV takes into account the total value of a property including all land, buildings and other improvements but excluding fixtures and fittings.

The valuation base used to calculate general rates for 2018/19 was \$52,440 million (2017/18 \$41,587 million). The 2018-19 rate in the CIV dollar was \$0.0015224 (2017-18 \$0.0018917) for the residential rate.

	2019	2018
	\$'000	\$'000
General rates		
Residential garbage charge	10,770	8,889
Service rates and charges	1,870	1,795
Supplementary rates and rate adjustments	254	927
Cultural and recreational	60	60
Interest on rates and charges	575	561
Total rates and charges	114,214	109,024

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

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

3.2 Statutory fees and fines

Permits	1,760	1,979
Infringements and costs	822	636
Town planning fees	267	361
Land information certificates	90	114
Court recoveries	409	17
Total statutory fees and fines	3,348	3,107

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

3.3 User fees

Waste management services	5,651	5,217
Child care/children's programs	2,957	3,458
Registration and other permits	1,967	1,856
Leisure centre and recreation	1,620	1,652
Aged and health services	923	967
Building services	556	491
Other fees and charges	1,067	1,131
Total user fees	14,741	14,772

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

3.4 Funding from other levels of government

Grants were received in respect of the following:	2019	2018
Summary of grants	\$'000	\$'000
Commonwealth funded grants	19,661	16,406
State funded grants	13,567	11,574
Total grants received	33,228	27,980

(a) Operating grants

Recurrent - Commonwealth Government

Financial Assistance Grants	6,375	6,502
General home care	4,616	3,645
Family and children - child care	2,141	2,211

Recurrent - State Government

Family and children - preschool	5,758	5,968
General home care	1,555	1,809
Family and children - maternal and child health	1,292	1,227
School crossing supervisors	683	584
Family and children - child care	268	204
Other	259	240
Family and children - youth services	240	240
Community health	129	145

Total recurrent operating grants

23,316	22,775
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Non-recurrent - Commonwealth Government

Family and children - child care	-	15
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Non-recurrent - State Government

Other	277	36
Family and children - preschool	249	35
Environmental planning	245	195
Recreational, leisure and community facilities	110	103
Community health	88	19
Family and children - youth services	38	68
Community safety	14	-

Total non-recurrent operating grants

1,020	471
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Total operating grants

24,336	23,246
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(b) Capital grants

Recurrent - Commonwealth Government

Financial Assistance Grants - local roads	1,143	1,104
Roads to recovery	504	1,017
Community safety	254	-

Recurrent - State Government

Recreational, leisure and community facilities	325	-
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Total recurrent capital grants

2,226	2,121
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	2019	2018
	\$'000	\$'000
<i>Non-recurrent - Commonwealth Government</i>		
Buildings	4,000	-
Recreational, leisure and community facilities	629	1,912
<i>Non-recurrent - State Government</i>		
Buildings	1,520	35
Recreational, leisure and community facilities	461	479
Roads	56	187
Total non-recurrent capital grants	<u>6,666</u>	<u>2,613</u>
Total capital grants	<u>8,892</u>	<u>4,734</u>

(c) Unspent grants received on condition that they be spent in a specific manner

Balance at start of year	1,746	1,011
Received during the financial year and remained unspent at balance date	3,510	1,404
Received in prior years and spent during the financial year	<u>(1,399)</u>	<u>(669)</u>
Balance at year end	<u>3,857</u>	<u>1,746</u>

Grant income is recognised when Council obtains control of the contribution.

Control is normally obtained upon receipt (or acquittal) or upon earlier notification that a grant has been secured.

3.5 Contributions

Monetary	9,835	8,808
Non-monetary	<u>1,936</u>	<u>9,495</u>
Total contributions	<u>11,771</u>	<u>18,303</u>

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

Land	1,936	4,462
Drainage	-	2,442
Roads	-	2,087
Footpaths and cycleways	-	489
Car parks	-	15
Total non-monetary contributions	<u>1,936</u>	<u>9,495</u>

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

	2019	2018
	\$'000	\$'000
3.6 Net gain/(loss) on disposal of property, infrastructure, plant and equipment		
Proceeds of sale	2,363	1,475
Written down value of assets disposed	(2,787)	(3,413)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	<u>(424)</u>	<u>(1,938)</u>

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

3.7 Other income

Interest	1,174	1,380
Recyclable material sales	-	471
Reimbursements	532	419
Rent	490	411
Other	548	350
Total other income	<u>2,744</u>	<u>3,031</u>

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 on the Financial Statements

For the Year Ended 30 June 2019

Note 4 The cost of delivering services

	2019 \$'000	2018 \$'000
4.1 (a) Employee costs		
Wages and salaries	50,527	48,119
Annual leave and long service leave	6,390	6,315
Agency staff	5,958	4,911
Superannuation	5,172	4,861
WorkCover	974	770
Fringe benefits tax	334	310
Total employee costs	69,355	65,286

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	311	436
Employer contributions - other funds	-	-
	311	436

Employer contributions payable at reporting date	-	-
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Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	3,026	3,055
Employer contributions - other funds	1,834	1,577
	4,860	4,632

Employer contributions payable at reporting date	388	367
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Refer to Note 9.3 for further information relating to Council's superannuation obligations.

4.2 Materials and services	2019	2018
	\$'000	\$'000
Contract payments		
Waste Management	16,807	12,645
Operating Projects Expenditure	7,281	6,904
Operations - Maintenance	5,348	5,932
Active Ageing & Disability	985	929
Family & Children's Services	832	607
Corporate Services	749	2,006
Arts & Cultural Services	485	541
People & Culture	428	295
Community Law	411	435
Other	418	237
Total Contract Payments	33,744	30,532
Administration costs	5,974	5,711
Consumable materials and equipment	3,320	2,885
Consultants	3,197	2,375
Utilities	3,110	2,446
Information technology	2,222	2,284
Building maintenance	1,565	1,470
Insurance	1,348	1,405
Finance and legal costs	1,284	934
General maintenance	713	680
Total materials and services	56,477	50,722

4.3 Depreciation and amortisation

Infrastructure	14,583	14,317
Property	4,027	3,623
Plant and equipment	1,571	1,476
Total depreciation	20,181	19,416
Intangible assets	507	570
Total depreciation and amortisation	20,688	19,986

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

4.4 Bad and doubtful debts

Parking and animal infringement debtors	200	101
Other debtors	34	27
Total bad and doubtful debts	234	128

Movement in provisions for doubtful debts

Balance at the beginning of the year	19	20
New provisions recognised during the year	16	15
Amounts already provided for and written off as uncollectible	(9)	(16)
Amounts provided for but recovered during the year	-	-
Balance at the end of the year	26	19

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

	2019	2018
	\$'000	\$'000
4.5 Other expenses		
Operating lease rentals	687	738
Councillors allowances	364	368
Auditor's remuneration - internal	75	119
Auditor's remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	61	57
Total other expenses	<u>1,187</u>	<u>1,282</u>
4.6 Contributions and donations		
Contribution to the Eastern Regional Libraries Corporation	4,094	4,004
Community support payments	2,210	2,117
Total contributions and donations	<u>6,304</u>	<u>6,121</u>

Notes on the Financial Statements

For the Year Ended 30 June 2019

Note 5 Our Financial Position

	2019	2018
	\$'000	\$'000
5.1 Financial assets		
(a) Cash and cash equivalents		
Cash on hand	5	7
Cash at bank	10,640	12,644
Term deposits	22,500	5,000
Total cash and cash equivalents	33,145	17,651
(b) Other financial assets		
Term deposits - current	23,100	46,600
Total other financial assets	23,100	46,600
Total financial assets	56,245	64,251
Council's cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:		
• Trust funds and deposits (Note 5.3)	2,035	3,683
• Restricted reserves (Note 9.1 (b))	18,024	15,884
Total restricted funds	20,059	19,567
Total unrestricted cash and cash equivalents	13,086	(1,916)

As at balance date, Council had \$37.5 million in term deposits maturing within 90 days.

Intended allocations

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

• Other reserves (Note 9.1 (b))	25,019	26,647
Total funds subject to intended allocations	25,019	26,647

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

Term deposits are held to maturity and measurement at original cost

(c) Trade and other receivables	2019	2018
	\$'000	\$'000
Current		
Statutory receivables		
Rates debtors	8,639	8,804
Special rate assessment	52	52
Parking and animal infringement debtors	1,611	1,386
Provision for doubtful debts - parking and animal infringement debtors	(1,060)	(860)
Non statutory receivables		
Other debtors	8,099	3,765
Provision for doubtful debts - other debtors	(30)	(19)
Total current trade and other receivables	<u>17,311</u>	<u>13,128</u>

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

(d) Ageing of receivables	2019	2018
	\$'000	\$'000
Current (not yet due)	7,359	3,433
Past due by up to 30 days	252	128
Past due between 31 and 180 days	290	102
Past due between 181 and 365 days	129	39
Past due by more than 1 year	69	63
Total trade and other receivables	<u>8,099</u>	<u>3,765</u>

(e) Ageing of individually impaired receivables

At balance date, other debtors representing financial assets with a nominal value of nil (2018: \$693) were impaired. The amount of the provision raised against these debtors was nil (2018: \$693).

They individually have been impaired as a result of their doubtful collection.

Many of the long outstanding past due amounts have been lodged with the Council's debt collectors or are on payment arrangements.

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

Current (not yet due)	-	-
Past due by up to 30 days	-	-
Past due between 31 and 180 days	-	-
Past due between 181 and 365 days	-	1
Past due by more than 1 year	-	-
Total trade and other receivables	<u>-</u>	<u>1</u>

5.2 Non-financial assets	2019	2018
	\$'000	\$'000
(a) Other assets		
Prepayments	769	1,169
Accrued income	342	404
Total other assets	1,111	1,573
(b) Intangible assets		
Software	934	1,442
Total intangible assets	934	1,442
Gross carrying amount		
Balance at beginning of year	4,616	4,524
Additions	-	92
Balance at end of year	4,616	4,616
Accumulated amortisation and impairment		
Balance at beginning of year	3,174	2,666
Amortisation expense	507	508
Balance at end of year	3,681	3,174
Net book value at the end of the year	934	1,442

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

5.3 Payable	2019	2018
	\$'000	\$'000
(a) Trade and other payables		
Trade payables	8,559	10,124
Accrued expenses	4,225	2,938
Prepaid income	1,215	959
Unearned income	132	669
Total trade and other payables	14,131	14,690
(b) Trust funds and deposits		
Refundable deposits	1,822	2,987
Fire services levy	-	29
Retention amounts	105	304
Other	108	363
Total trust funds and deposits	2,035	3,683

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited.

Trust funds that are forfeited, resulting in Council gaining control of the funds, are to be recognised as revenue at the time of forfeit.

Purpose and nature of items

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

Fire service levy - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a four-instalment basis. Amounts disclosed 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.

5.4 Provisions

	Employee \$'000s	Landfill rehabilitation \$'000s	Total \$'000s
2019			
Balance at beginning of the financial year	16,022	4,495	20,517
Additional provisions	8,933	844	9,777
Amounts used	(8,443)	(280)	(8,723)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(343)	597	254
Balance at the end of the financial year	16,169	5,656	21,825
2018			
Balance at beginning of the financial year	16,332	6,110	22,442
Additional provisions	6,117	(1,054)	5,063
Amounts used	(6,377)	(572)	(6,949)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(50)	11	(39)
Balance at the end of the financial year	16,022	4,495	20,517
		2019	2018

(a) Employee provisions

Current provisions expected to be wholly settled within 12 months

Annual leave	2,334	2,266
Long service leave	1,231	974
Gratuities	68	81
	3,633	3,321

5.4 continued

Current provisions expected to be wholly settled after 12 months	2019	2018
	\$'000	\$'000
Annual leave	2,666	2,565
Long service leave	8,359	8,553
Gratuities	710	811
	<u>11,735</u>	<u>11,929</u>
Total current employee provisions	15,368	15,250
Non-current		
Long service leave	801	772
Total non-current employee provisions	801	772
Aggregate carrying amount of employee provisions:		
Current	15,368	15,250
Non-current	801	772
Total aggregate carrying amount of employee provisions	16,169	16,022

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 the present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Key Assumptions - AL:

	2019	2018
• Weighted average discount rate	0.54%	1.06%
• Weighted average index rate	2.50%	2.33%
• Average settlement period (years)	2	2

Long service leave

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

Unconditional LSL is disclosed as a current liability. Conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non current liability.

Key Assumptions - LSL:	2019	2018
• Weighted average discount rate - current	1.17%	2.28%
• Weighted average discount rate - non-current	1.05%	2.09%
• Weighted average index rate - current	2.48%	2.64%
• Weighted average index rate - non-current	2.29%	2.39%
• Average settlement period (years)	18	18

Gratuity retirement allowance

A Gratuity retirement allowance exists for employees who commenced prior to 3 May 1996, with new employees who commenced after that date not being eligible and is recognised in the provision for employee benefits as a current liability.

Liabilities expected to be wholly settled within 12 months of the reporting date are measured at their nominal values.

Liabilities that are not expected to be wholly settled within 12 months of the reporting date are measured at the present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Key Assumptions - Gratuity:

• Weighted average discount rate	0.87%	1.97%
• Weighted average index rate	2.40%	2.64%
• Average settlement period (years)	22	22

(b) Landfill rehabilitation	2019	2018
	\$'000	\$'000
Current		
Cathies Lane landfill site	386	329
Llewellyn Reserve landfill site	158	203
	<u>544</u>	<u>532</u>
Non-current		
Cathies Lane landfill site	3,813	3,007
Llewellyn Reserve landfill site	1,299	956
Total non-current provisions	<u>5,112</u>	<u>3,963</u>
Total aggregate carrying amount of landfill rehabilitation provisions	<u>5,656</u>	<u>4,495</u>

Council owns two former landfill sites - Cathies Lane and Llewellyn Reserve. Under the terms of a licence agreement with the Environment Protection Authority (EPA) and Pollution Abatement notices, Council is required to monitor, progressively rehabilitate and conduct rectification works. The provision for landfill rehabilitation has been calculated based on the present value of the expected cost of works to be undertaken including site aftercare and monitoring costs. The expected cost of works has been estimated based on current understanding of work required to progressively rehabilitate the sites to a suitable standard.

Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

	2019	2018
Key assumptions - Cathies Lane landfill site:		
• Weighted average discount rate	2.37%	3.64%
• Inflation rate	2.00%	2.00%
• Settlement period (years)	16	16
• Estimated cost to rehabilitate	\$4.405m	\$3.873 m

Key assumptions - Llewellyn Reserve landfill site:

• Weighted average discount rate	2.37%	3.59%
• Inflation rate	2.00%	2.00%
• Settlement period (years)	16	16
• Estimated cost to rehabilitate	\$1.528m	\$1.330 m

Cathies Lane landfill site

Council operated the Cathies Lane landfill site, Wantirna South from 1986 to 2004, under a licence issued by the Environment Protection Authority (EPA). The site is closed as a landfill but a portion of the site is still being used as a transfer station to receive and transport waste to other sites for disposal. In 2015-16 the EPA issued a Post Closure Pollution Abatement notice and Council has surrendered the landfill license.

In the financial report for June 2019, Council has an amount of \$4.199 million as a provision for the restoration of the Cathies Lane landfill site and includes an ongoing commitment of approximately \$0.287 million per annum for site aftercare to meet EPA obligations where restoration works have been completed. This is based on the assessment undertaken in 2015 and a reassessment of the provision at balance date in which the provision was measured at the net present value of the future rehabilitation costs including aftercare and site monitoring costs. Included in the aftercare is the cost to provide a bank guarantee to meet the Financial Assurance requirements imposed by the EPA on Council for thirty years post closure of this site.

Llewellyn Reserve landfill site

Council's landfill site at Llewellyn Reserve was closed in 1985. In 2015-16, the EPA issued a Post Closure Pollution Abatement notice.

In the financial report for June 2019, Council has an amount of \$1.457 million as a provision for the restoration of the Llewellyn Reserve landfill site and includes an ongoing commitment of approximately \$0.097 million per annum to cover sampling, testing and reporting requirements as required by the EPA. This is based on an assessment undertaken in 2015 and a reassessment of the provision at balance date in which the provision was measured at the net present value of the future rehabilitation costs including aftercare and site monitoring costs.

	2019	2018
Summary of provisions	\$'000	\$'000
Current	15,912	15,782
Non-current	5,913	4,735
Total provisions	21,825	20,517

5.5 Financing arrangements

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

	2019	2018
	\$'000	\$'000
Bank overdraft	1,500	1,500
Credit card facilities	200	200
Total facilities	1,700	1,700
Used facilities	28	20
Unused facilities	1,672	1,680

5.6 Commitments

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

2019	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
Operating					
Garbage collection and recycling	17,304	18,386	5,673	1,868	43,231
Consultancies	1,300	449	199	603	2,551
Cleaning contracts for council buildings	503	517	-	-	1,020
Open space management	473	-	-	-	473
Home care services	394	-	-	-	394
Infrastructure management	177	144	-	-	320
Meals for delivery	-	-	-	-	-
Total	20,150	19,495	5,871	2,471	47,988
Capital					
Buildings	9,829	-	-	-	9,829
Other infrastructure	2,750	-	-	-	2,750
Total	12,579	-	-	-	12,579

5.6 Commitments

2018	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
Operating					
Garbage collection and recycling	17,567	16,113	2,076	-	35,756
Consultancies	1,871	497	716	-	3,084
Cleaning contracts for council buildings	1,096	25	-	-	1,121
Open space management	2,534	-	-	-	2,534
Home care services	402	-	-	-	402
Infrastructure management	895	212	85	-	1,192
Meals for delivery	661	-	-	-	661
Total	25,026	16,847	2,877	-	44,750
Capital					
Buildings	13,503	-	-	-	13,503
Other infrastructure	600	-	-	-	600
Total	14,103	-	-	-	14,103

Operating lease commitments

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

	2019 \$'000	2018 \$'000
Not later than one year	307	596
Later than one year and not later than five years	449	799
Later than five years	-	-
	756	1,395

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

Notes on the Financial Statements

For the Year Ended 30 June 2019

Note 6 Non-current assets classified as held for sale

6.1 Non-current assets classified as held for sale

	2019	2018
	\$'000	\$'000
Buildings	808	402
Land at fair value	386	1,316
Total non-current assets classified as held for sale	<u>1,194</u>	<u>1,718</u>

Non-current assets classified as held for sale (including disposal groups) are measured at the lower of their carrying amount and fair value less costs of disposal, and are not subject to depreciation.

Non-current assets are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset's sale (or disposal group sale) is expected to be completed within 12 months from the date of classification.

Notes on the Financial Statements

For the Year Ended 30 June 2019

6.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2018	At cost 30 June 2018	Additions	Contributions	Revaluation	Depreciation	Disposal	Impairment	Transfers and write offs	At fair value 30 June 2019	At cost 30 June 2019	Written down value 30 June 2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	1,053,168	7,032	-	1,936	-	-	-	-	-	1,053,168	8,968	1,062,136
Buildings	142,172	-	29,037	-	-	(4,027)	(3)	(221)	-	138,166	28,792	166,958
Plant and equipment	-	8,447	3,267	-	-	(1,571)	(760)	-	-	-	9,383	9,383
Infrastructure	681,962	77,254	21,006	-	24,805	(14,583)	(1,500)	-	-	732,649	56,294	788,943
Work in progress	-	19,060	13,245	-	-	-	(16)	-	(16,238)	-	16,052	16,052
	1,877,302	111,793	66,555	1,936	24,805	(20,181)	(2,279)	(221)	(16,238)	1,923,983	119,489	2,043,472

Summary of work in progress

	Opening work in progress	Additions	Transfers	Write offs	Closing work in progress
	\$'000	\$'000	\$'000	\$'000	\$'000
Buildings	15,258	4,613	(13,036)	-	6,835
Infrastructure	3,803	8,631	(3,202)	(16)	9,216
	19,061	13,244	(16,238)	(16)	16,051

6.2 Property, infrastructure, plant and equipment

(a) Property

	Land - specialised \$'000	Land - non specialised \$'000	Land improvements \$'000	Total land \$'000	Buildings - specialised \$'000	Total buildings \$'000	Work in progress \$'000	Total property \$'000
At fair value 1 July 2018	869,749	183,419	-	1,053,168	264,913	264,913	-	1,318,081
At cost 1 July 2018	3,877	-	3,154	7,031	-	-	15,258	22,289
Accumulated depreciation at 1 July 2018	-	-	-	-	(122,741)	(122,741)	-	(122,741)
	873,626	183,419	3,154	1,060,199	142,172	142,172	15,258	1,217,629
Movements								
Additions at cost	-	-	-	-	29,037	29,037	4,613	33,650
Contributions	-	1,936	-	1,936	-	-	-	1,936
Revaluation	-	-	-	-	-	-	-	-
Disposal at fair value	-	-	-	-	(3,351)	(3,351)	-	(3,351)
Disposal at cost	-	-	-	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	(221)	(221)	-	(221)
Transfers and write offs	-	-	-	-	-	-	(13,036)	(13,036)
	-	1,936	-	1,936	25,465	25,465	(8,423)	18,978
Movements in accumulated depreciation								
Depreciation and amortisation	-	-	-	-	(4,027)	(4,027)	-	(4,027)
Accumulated depreciation of disposals	-	-	-	-	3,348	3,348	-	3,348
Revaluation	-	-	-	-	-	-	-	-
	-	-	-	-	(679)	(679)	-	(679)
At fair value 30 June 2019	869,749	183,419	-	1,053,168	261,341	261,341	-	1,314,510
At cost 30 June 2019	3,877	1,936	3,154	8,967	29,037	29,037	6,835	44,839
Accumulated depreciation at 30 June 2019	-	-	-	-	(123,420)	(123,420)	-	(123,420)
	873,626	185,355	3,154	1,062,135	166,958	166,958	6,835	1,235,928

6.2 (b) Plant and equipment

	Plant, machinery and equipment \$'000	Fixtures, fittings and furniture \$'000	Computers and telecomms \$'000	Artworks \$'000	Total plant and equipment \$'000
At cost 1 July 2018	11,446	2,311	3,790	437	17,984
Accumulated depreciation at 1 July 2018	(5,009)	(1,773)	(2,755)	-	(9,537)
	6,437	538	1,035	437	8,447
Movements					
Additions at cost	2,901	-	366	-	3,267
Disposal at cost	(2,022)	(28)	(1)	-	(2,051)
	879	(28)	365	-	1,216
Movements in accumulated depreciation					
Depreciation and amortisation	(1,110)	(132)	(330)	-	(1,572)
Accumulated depreciation of disposals	1,269	22	1	-	1,292
	159	(110)	(329)	-	(280)
At cost 30 June 2019	12,325	2,283	4,155	437	19,200
Accumulated depreciation at 30 June 2019	(4,850)	(1,883)	(3,084)	-	(9,817)
	7,475	400	1,071	437	9,383

Valuation of infrastructure

The valuation of fire hydrants (other infrastructure) has been determined based on information supplied by South East Water. The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

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

An index based revaluation was conducted in the current year for footpaths, cycleways, bridges, off street car parks, drainage and roads.

A full revaluation of footpaths, off street car parks and roads will be conducted in 2018-19 and a full revaluation of cycleways, bridges and drainage will be conducted in 2019-20.

(c) Infrastructure

	Roads \$'000	Bridges \$'000	Footpaths and cycleways \$'000	Drainage \$'000	Recreational, leisure and community facilities \$'000	Off street car parks \$'000	Other infrastructure \$'000	Work in progress \$'000	Total infrastructure \$'000
At fair value 1 July 2018	621,852	13,000	135,697	289,359	-	24,471	5,646	-	1,090,025
At cost 1 July 2018	21,081	307	6,535	5,617	57,726	1,791	6	3,803	96,866
Accumulated depreciation at 1 July 2018	(186,039)	(3,523)	(74,398)	(136,378)	(15,356)	(5,605)	(2,574)	-	(423,873)
	456,894	9,784	67,834	158,598	42,370	20,657	3,078	3,803	763,018
Movements									
Additions at cost	7,880	284	3,522	2,222	5,582	1,297	219	8,631	29,637
Contributions									-
Revaluation	38,705	-	6,290	-	-	(2,557)	-	-	42,438
Disposal at fair value	(2,474)	-	(2,560)	-	-	-	-	-	(5,034)
Disposal at cost	-	-	-	-	(921)	-	-	(16)	(937)
Transfers and write offs at cost	-	-	-	-	-	-	-	(3,202)	(3,202)
	44,111	284	7,252	2,222	4,661	(1,260)	219	5,413	62,902
Movements in accumulated depreciation									
Depreciation and amortisation	(6,084)	(137)	(2,775)	(3,689)	(1,474)	(235)	(189)	-	(14,583)
Accumulated depreciation of disposals	1,948	-	1,772	-	735	-	-	-	4,455
Revaluation	(7,939)	-	(9,120)	-	-	(574)	-	-	(17,633)
	(12,075)	(137)	(10,123)	(3,689)	(739)	(809)	(189)	-	(27,761)
At fair value 30 June 2019	687,044	13,000	148,025	289,359	-	25,002	5,646	-	1,168,076
At cost 30 June 2019	-	591	1,459	7,839	62,387	-	225	9,216	81,717
Accumulated depreciation at 30 June 2019	(198,114)	(3,660)	(84,521)	(140,067)	(16,095)	(6,414)	(2,763)	-	(451,634)
	488,930	9,931	64,963	157,131	46,292	18,588	3,108	9,216	798,159

Asset recognition thresholds and depreciation periods

	Depreciation Period - Years	Threshold Limit \$'000
Land & land improvements		
Land	n/a	10
Land improvements	n/a	10
Land under roads	n/a	10
Buildings		
Buildings	20-200	10
Plant and equipment		
Plant, machinery and equipment	3-10	10
Fixtures, fittings and furniture	3-10	10
Computers and telecommunications	3-10	10
Artworks	n/a	10
Infrastructure		
Roads – surfacing	2-50	5
Roads – kerb and channel	70	5
Roads – substructure	30-185	20
Roads – earthworks	n/a	20
Bridges	30-100	5
Footpaths and cycleways	2-50	5
Drainage	80	5
Recreational, leisure and community facilities	15-60	10
Off street car parks	2-185	10
Other infrastructure	7-30	2
Intangible assets		
Software	5	10

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 attributed to the acquisition. Fair value is the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date.

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

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

Land under roads

Land under roads acquired after 30 June 2008 is brought to account at cost. Council does not recognise land under roads that it controlled prior to that date.

Depreciation and amortisation

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

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

Land, land improvements, land under roads, roads - earthworks and artworks are not depreciated on the basis that they are assessed as not having a limited useful life.

Straight line depreciation is charged based on the residual useful life as determined each year. Depreciation periods used are consistent with the prior year unless otherwise stated.

Repairs and maintenance

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

Valuation of land and buildings

Valuation of land and buildings were undertaken by Brian Robinson from Westlink Consulting, a qualified independent valuer, registration number 62215. 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 will have a significant impact on the fair value of these assets.

The date of the current valuation is detailed in the following table. A full revaluation of these assets will be conducted in 2019-20. Details of the Council's Land and Buildings and information about the fair value hierarchy as at 30 June 2019 are as follows:

	Level 1	Level 2	Level 3	Date of
	\$'000	\$'000	\$'000	valuation
Land	-	183,419	-	June 2018
Specialised land	-	-	869,749	June 2018
Specialised buildings	-	-	138,166	June 2018
Total	-	183,419	1,007,915	

Valuation of infrastructure

The valuation of roads, footpaths and off street car parks has been determined in accordance with a valuation undertaken by Mr Joel McCreanor, BE (Hons)(Civil), BA, Asset Engineer, Knox City Council. The date of the current valuation is detailed in the following table. The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

An index based revaluation was conducted in the current year for bridges, cycleways, drainage and fire hydrants (other infrastructure).

A full revaluation of bridges, cycleways and drainage will be conducted in 2019-20 and a full revaluation of fire hydrants (other infrastructure) will be conducted in 2020-21.

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2019 are as follows:

	Level 1	Level 2	Level 3	Date of
	\$'000	\$'000	\$'000	valuation
Roads	-	-	488,930	June 2019
Bridges	-	-	9,344	June 2017
Footpaths and cycleways			63,519	June 2019/2017
Drainage	-	-	149,379	June 2017
Off street car parks	-	-	18,587	June 2019
Other Infrastructure	-	-	2,890	June 2018
Total	-	-	732,649	

Description of significant unobservable inputs into level 3 valuations

Specialised land 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 20% and 50%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$9 and \$1,317 per square metre.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$390 to \$5,500 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary up to 147 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 up to 185 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.

	2019	2018
	\$'000	\$'000
Reconciliation of specialised land at fair value		
Parks and reserves	806,952	806,951
Community facilities	28,099	28,099
Civic precinct	22,911	22,911
Transfer station	11,787	11,787
Total specialised land at fair value	869,749	869,748

6.3 Investment in associates

Investment in associate accounted for by the equity method is:

	2019	2018
	\$'000	\$'000
Eastern Regional Libraries Corporation (ERLC)	4,604	4,422

Eastern Regional Libraries Corporation (ERLC)

Background

The principal activity of ERLC is the operation of libraries. Council's ownership interest of ERLC as at 30 June 2019 was 36.39% (2018-36.39%) based on Council's contribution of the net assets to the entity on its commencement on 1 July 1996. Council's proportion of voting power as at 30 June 2019 was 33.33% (2019-33.33%).

Fair value of Council's investment in Eastern Regional Libraries Corporation

Council's share of accumulated surplus	4,604	4,422
Council's share of accumulated surplus at start of year	4,422	3,981
Reported surplus for year	182	441
Council's share of accumulated surplus at end of year	4,604	4,422

Movement in carrying value of specific investment

Carrying value of investment at start of year	4,422	3,981
Share of surplus for year	182	441
Carrying value of investment at end of year	4,604	4,422

Council's share of expenditure commitments

Operating commitments	219	429
Capital commitments	-	-
Council's share of expenditure commitments	219	429

Mobile library	36	35
Knox City, Rowville, Ferntree Gully, Boronia and Bayswater Library Branches	706	677

An associate is an entity over which Council has significant influence but not control or joint control. Investment in an associate is accounted for using the equity method of accounting, after initially being recognised at cost. Changes in the net assets of the ERLC are brought to account as an adjustment to the carrying value of the investment.

Notes on the Financial Statements

For the Year Ended 30 June 2019

Note 7 People and Relationships

7.1 Council and key management remuneration

(a) Related parties

Parent Entity

Knox City Council

Associates

Eastern Regional Libraries Corporation (ERLC)

Interests in associates are detailed in Note 6.3

(b) Key management personnel

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

Councillors

Councillor Jake Keogh (Mayor)	Mayor from 31 October 2018 to current. Deputy Mayor from 1 July 2018 to 31 October 2018
Councillor Peter Lockwood (Deputy Mayor)	Deputy Mayor from 10 December 2018 to current Councillor from 1 July 2018 to 10 December 2018
Councillor John Mortimore (Mayor)	Mayor from 1 July 2018 to 31 October 2018 Councillor from 31 October 2018 to current
Councillor Jackson Taylor (Deputy Mayor)	Deputy Mayor from 31 October to 6 December 2018 Councillor from 1 July 2018 to 31 October 2018
Councillor Tony Holland	Councillor from 1 July 2018 to current
Councillor Adam Gill	Councillor from 1 July 2018 to current
Councillor Nicole Seymour	Councillor from 1 July 2018 to current
Councillor Lisa Cooper	Councillor from 1 July 2018 to current
Councillor Darren Pearce	Councillor from 1 July 2018 to current
Councillor Marcia Timmers-Leitch	Councillor from 8 April 2019 to current

Chief Executive Officer and other key management personnel

Tony Doyle – Chief Executive Officer	
Dr Ian Bell – Director Engineering and Infrastructure	
Michael Fromberg – Director Corporate Services	
Matt Kelleher – Director City Development	27 May 2019 to current
Samantha Mazer – Director Knox Central	
Julia Oxley – Director City Development	1 July 2018 to 9 November 2018
Tanya Clark – Director Community Services	12 November 2018 to current
Kerry Stubbing – Director Community Services	1 July 2018 to 26 October 2018

	2019	2018
	No.	No.
Total number of Councillors	10	9
Chief Executive Officer and other key management personnel	<u>7</u>	<u>7</u>
Total key management personnel	<u>17</u>	<u>16</u>

(c) Remuneration of Key Management Personnel

	2019	2018
	\$'000	\$'000
Total remuneration of Key Management Personnel was as follows:		
Short-term benefits	2,002	1,878
Long-term benefits	64	74
Termination benefits	<u>41</u>	<u>-</u>
Total	<u>2,107</u>	<u>1,952</u>

The numbers of Key Management Personnel whose total remuneration from Council and any related entities, fall within the following bands:

	2019	2018
	No.	No.
\$10,000 - \$19,999	2	
\$20,000 - \$29,999	-	1
\$30,000 - \$39,999	6	7
\$50,000 - \$59,999	1	1
\$80,000 - \$89,999	1	1
\$150,000 - \$159,999	1	
\$180,000 - \$189,999	1	-
\$190,000 - \$199,999	-	1
\$220,000 - \$229,999	1	-
\$240,000 - \$249,999	-	2
\$260,000 - \$269,999	-	2
\$270,000 - \$279,999	2	-
\$280,000 - \$289,999	1	-
\$340,000 - \$349,999	-	1
\$350,000 - \$359,999	<u>1</u>	<u>-</u>
	<u>17</u>	<u>16</u>

(d) Senior Officer remuneration

A senior officer is an officer of Council, other than key management personnel who:

(a) has management responsibilities and reports directly to the Chief Executive Officer; or

(a) whose total annual remuneration exceeds \$148,000 (\$145,000 in 2017-18).

The number of senior officers are shown below in their relevant income bands:

Income range	2019 No.	2018 No.
<\$148,000	5	-
\$148,000 - \$149,999	2	5
\$150,000 - \$159,999	4	7
\$160,000 - \$169,999	4	1
\$170,000 - \$179,999	1	9
\$180,000 - \$189,999	4	2
\$190,000 - \$199,999	3	-
\$200,000 - \$209,999	1	1
\$270,000 - \$279,999	-	1
	24	26
	2019 \$'000	2018 \$'000
Total remuneration for the reporting year for senior officers included above amounted to	3,611	4,101

7.2 Related party disclosure**Transactions with related parties**

During the period Council did not enter into any transactions with related parties.

Outstanding balances with related parties

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

Loans to/from related parties

There were no loans in existence at balance date that have been made, guaranteed or secured by the Council to a related party.

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.

Notes on the Financial Statements

For the Year Ended 30 June 2019

Note 8 Managing Uncertainties

8.1 Contingent assets and liabilities

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

(a) Contingent assets

Developer contributions

As a result of development activity within the Knox municipality, Council has identified as a contingent asset the developer contributions of infrastructure assets and open space contributions to be received in respect of subdivisions that are currently under development totalling \$15.479 million (2017-18, \$28.734 million).

Operating lease receivables

Council has a number of leases with external entities where they pay for the use of Council land and buildings. A number of these leases include a CPI based revision of the rental charge annually.

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

	2019	2018
	\$'000	\$'000
Not later than one year	435	477
Later than one year and not later than five years	1,374	1,486
Later than five years	8,629	8,504
	10,438	10,467

(b) Contingent liabilities

Superannuation

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

Future superannuation contributions

In addition to the disclosed contributions, Knox City Council has paid unfunded liability payments to Vision Super totalling \$Nil during the 2018/19 (2017/18 \$Nil). There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2019. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2020 are \$0.280 million.

High Court decision in *Isbester v Knox City Council (2015)*

As a result of the High Court's decision in *Isbester v Knox City Council (2015)* Case M19/2015, Knox City Council will be liable to pay the applicant's (*Isbester*) costs. The final quantum and timing of payment is subject to ongoing negotiations.

8.2 Change in accounting standards

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

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

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

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

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

Leases (AASB 16) (applies 2019/20)

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

Council has elected to adopt the modified retrospective approach to the transition to the new lease standard. This will mean that only existing operating leases for non low value assets, with remaining terms greater than 12 months, will be recognised on transition (1 July 2019). Based on our current lease commitments and an assumption of a continuation of the current leasing arrangements Council expects that the transition to the new standard will see the initial recognition of \$0.561 million in lease related assets and an equivalent liability

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

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

8.3 Financial instruments*a) Objectives and policies*

The Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables) and payables (excluding statutory payables). 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 and financial liability 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. The Council's exposure to market risk is primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council does not hold any interest bearing financial instruments that are measured at fair value and therefore has no exposure to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

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

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

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

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

c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause Council to make a financial loss. Council has exposure to credit risk on some financial assets included in the Balance Sheet. To help manage this risk Council: has adopted a Debt Collection and Management procedure which provides guidelines for the management and collection of outstanding debts may require collateral where appropriate invests surplus funds with financial institutions which have a recognised credit rating specified in Council's investment policy.

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

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

Council may also be subject to credit risk for transactions which are not included in the Balance Sheet. 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 our operational liquidity requirements, we will not have sufficient funds to settle a transaction when required, we 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 an investment policy which specifies the need to meet Council's cash flow requirements
- 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
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the Balance Sheet and 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.

All financial liabilities are expected to be settled within normal terms of trade.

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 twelve months:

a parallel shift of +1% and -1% in market interest rates (AUD) from year-end rates of 1.826% which is Council's average 90 day term deposit interest rate.

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

Knox City Council does not have any financial assets that are measured at fair value subsequent to initial recognition.

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

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 reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than land under roads, recreational, leisure and community facilities, plant and equipment, bus shelters, artworks and intangibles 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. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 2 to 3 years. The valuations are performed either by experienced Council officers or independent experts. Land, buildings and fire hydrants were formally revalued as at 30 June 2018.

Where the assets are revalued, the revaluation increments are credited directly to the relevant 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 asset, revaluation increments and decrements within the year are offset.

Impairment of assets

At each reporting date, 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 asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Comprehensive Income Statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

8.5 Events occurring after balance date

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

Notes on the Financial Statements

For the Year Ended 30 June 2019

9.1 Reserves

(a) Asset revaluation reserve

2019	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
Property			
Land	884,034	-	884,034
Buildings	65,063	(221)	64,842
	949,097	(221)	948,876
Plant and equipment			
Artworks	31	-	31
	31	-	31
Infrastructure			
Roads	256,306	30,765	287,071
Bridges	5,462	-	5,462
Footpaths and cycleways	18,368	(2,829)	15,538
Drainage	97,153	-	97,153
Off street car parks	7,348	(3,131)	4,217
Other infrastructure	2,221	-	2,221
	386,858	24,805	411,662
Total asset revaluation reserve	1,335,986	24,584	1,360,569
2018			
Property			
Land	632,959	251,075	884,034
Buildings	52,016	13,047	65,063
	684,975	264,122	949,097
Plant and equipment			
Artworks	31	-	31
	31	-	31
Infrastructure			
Roads	256,306	-	256,306
Bridges	5,462	-	5,462
Footpaths and cycleways	18,023	345	18,368
Drainage	97,153	-	97,153
Off street car parks	7,348	-	7,348
Other infrastructure	2,795	(574)	2,221
	387,087	(229)	386,858
Total asset revaluation reserve	1,072,093	263,893	1,335,986

Nature and purpose of asset revaluation reserve

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

Nature and purpose of other reserves

9.1(b) Other reserves

2019	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
Restricted reserves				
Open space reserve	14,786	8,043	(6,122)	16,707
Basketball stadium infrastructure reserve	100	-	-	100
State Basketball Centre asset renewal fund	389	102		491
Football pitch replacement fund	609	117		726
Total restricted reserves	15,884	8,262	(6,122)	18,024
Unrestricted reserves				
Mountain Gate reserve	140	-	-	140
City futures fund	2,915	-	-	2,915
Revegetation net gain	282	69		351
Revolving energy fund	136	-	-	136
Aged care reserve	4,970	-	-	4,970
Unexpended grant reserve (Financial Assistance Grants)	3,824	3,849	(3,824)	3,849
Stamford Park	14,139		(2,400)	11,739
Blue Hills	3	-	-	3
Scoresby Recreation Reserve	67	-	-	67
HACC capital reserve	171	678		849
Total unrestricted reserves	26,647	4,596	(6,224)	25,019
Total other reserves	42,531	12,858	(12,346)	43,043

9.1(b) continued 2018	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
Restricted reserves				
Open space reserve	10,603	6,721	(2,538)	14,786
Basketball stadium infrastructure reserve	100	24	(24)	100
State Basketball Centre asset renewal fund	289	100	-	389
Football pitch replacement fund	456	153	-	609
Total restricted reserves	11,448	6,998	(2,562)	15,884
Unrestricted reserves				
Mountain Gate Reserve	140	-	-	140
City futures fund	2,915	-	-	2,915
Revegetation net gain	182	100	-	282
Revolving energy fund	70	66	-	136
Aged care reserve	5,003	-	(33)	4,970
Unexpended grant reserve (Financial Assistance Grants)	3,611	3,824	(3,611)	3,824
Stamford Park	15,311	-	(1,172)	14,139
Blue Hills	1,403	-	(1,400)	3
Scoresby Recreation Reserve	44	23	-	67
HACC capital reserve	275	-	(104)	171
Total unrestricted reserves	28,954	4,013	(6,320)	26,647
Total other reserves	40,402	11,011	(8,882)	42,531

Nature and purpose of other reserves

Open space reserve

The Open Space Reserve is used to provide funding for future purchases and improvements of open space. Funding is provided from developer's contributions for open space which is initially recognised in the comprehensive income statement and then transferred to the reserve from accumulated surplus to facilitate separate tracking of the total funds received but not yet spent.

Basketball stadium infrastructure reserve

The purpose of this reserve is to improve basketball stadium facilities within the Knox municipality.

State basketball centre asset renewal fund

The purpose of this reserve is to provide for asset renewal works at the State Basketball Centre (Knox Regional Sports Park).

Football pitch replacement fund

The purpose of this reserve is to provide for future football pitch replacement at Knox Regional Sports Park

Mountain Gate reserve

The purpose of this reserve is to enhance community facilities within Mountain Gate.

City futures fund

The purpose of this reserve is to enhance community facilities within Knox municipality

Revegetation net gain

The purpose of this reserve is to ensure any loss of vegetation through development is re-established in a sustainable location.

Revolving energy fund

The purpose of this reserve is to re-invest savings in energy costs to be invested in further works to minimise energy consumption.

Aged care reserve

The purpose of this reserve is to set aside the proceeds from the divestment of the Amaroo Gardens Aged Care Facility by Council on 2 November 2011 for aged services and infrastructure within the Knox municipality.

Unexpended grant reserve (Victoria Grants Commission)

The purpose of this reserve is to quarantine early payment of Victoria Grants Commission General Purpose and Local Roads Federal Grant funding for use in the following year.

Stamford Park

The purpose of this reserve is to develop the Stamford Park site for the benefit of the Knox Community.

Blue Hills

The purpose of this reserve is to construct the Early Years Hubs facilities for the benefit of the Knox Community.

Scoresby Recreation reserve

The purpose of this reserve is to invest the income derived from lease of this site into the Scoresby Recreation Reserve.

HACC capital reserve

The purpose of this reserve is to refurbish, upgrade and maintain minor capital within the Home and Community Care funded programs.

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

	2019	2018
	\$'000	\$'000
Surplus for the year	25,559	31,195
Depreciation/amortisation	20,688	19,986
Net (gain)/loss on disposal of property, infrastructure, plant and equipment	424	1,938
Contributions - non-monetary assets	(1,936)	(9,495)
Provision for bad and doubtful debts	234	128
Increment in investment in associate	(182)	(441)
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	(4,415)	(2,713)
(Increase)/decrease in prepayments	412	(135)
(Increase)/decrease in accrued income	142	65
Increase/(decrease) in trade and other payables	(3,635)	1,418
Increase/(decrease) in provisions	1,308	(1,924)
Increase/(decrease) in other liabilities	(1,648)	(3,481)
(Increase)/decrease in inventories	(2)	(2)
Net cash provided by operating activities	<u>36,950</u>	<u>36,539</u>

9.3 Superannuation

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

Obligations for contributions to the Fund are recognised as an expense in the Comprehensive Income Statement when they are made or due.

Accumulation

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

Defined Benefit

Knox City 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 2017/2018).

As at 30 June 2018, an interim actuarial investigation was completed. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 106.0%. To determine the VBI, the Fund Actuary used the following long-term assumptions:

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

Vision Super has advised that the VBI at the quarter ended 30 June 2019 was 107.1%.

The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2018 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.

Defined benefit 2018 triennial actuarial investigation surplus amounts

The Fund's triennial 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 (2017: \$69.8 million)

A total service liability surplus of \$218.3 million (2017: \$193.5 million)

A discounted accrued benefits surplus of \$249.1 million (2017: \$228.8 million)

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

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

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

Performance Statement

Year ending 30 June 2019

Description of the Municipality

Located approximately 25 kilometres from Melbourne's central business district, the Knox municipality is a major hub of cultural, commercial, business and innovative activity in the eastern suburbs of Melbourne. It is a diverse municipality, with residents from 130 different countries who speak 54 languages. The City of Knox has an estimated resident population of 163,203 (as at 30 June 2019) and covers an area of 113.84 square kilometres. The area boasts a green, leafy image extending to the foothills of the picturesque Dandenong Ranges. Knox consists of the following suburbs: The Basin, Bayswater, Boronia, Ferntree Gully, Knoxfield, Lysterfield, Rowville, Sassafra, Scoresby, Upper Ferntree Gully, Wantirna and Wantirna South.

Understanding the Performance Statement

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

Where applicable, the results in the Performance Statement have been prepared on accounting bases consistent with those reported in the financial statements. The other results are based on information drawn from Council information systems or from third parties (for example, the Australian Bureau of Statistics).

The Performance Statement presents the actual results for the current year and for the prescribed financial performance indicators and measures and the results forecast by Council's Strategic Resource Plan. The Regulations require explanation of any material variations in the results contained in the Performance Statement. The materiality thresholds have been set as +/-10% of the 2017-18 results.

The forecast figures included in the statement are those adopted by Council in its Strategic Resource Plan on 24 June 2019, which forms part of the Annual Budget. The Strategic Resource Plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and are aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The Strategic Resource Plan is available on Council's website.

The following statement provides the results of the prescribed service performance indicators and measures, including an explanation of material variations.

Sustainable Capacity Indicators

For the year ended 30 June 2019

Service/Indicator/measure	Result				Material Variations
	2014-15	2015-16	2016-17	2017-18	2018-19
Population					
Expenses per head of municipal population [Total expenses / Municipal population]	\$899.43	\$919.62	\$918.47	\$897.28	\$947.71
Infrastructure per head of municipal population [Value of infrastructure / Municipal population]	\$5,545.93	\$5,663.62	\$5,682.68	\$5,729.82	\$6,012.97
Population density per length of road [Municipal population / Kilometres of local roads]	215.68	215.92	217.52	224.54	225.42
Own-source revenue					
Own-source revenue per head of municipal population [Own-source revenue / Municipal population]	\$741.84	\$888.59	\$800.05	\$804.21	\$828.59
Recurrent grants					
Recurrent grants per head of municipal population [Recurrent grants / Municipal population]	\$184.31	\$130.59	\$178.36	\$153.57	\$156.50
Disadvantage					
Relative socio-economic disadvantage [Index of Relative Socio-economic Disadvantage by decile]	9.00	9.00	9.00	9.00	9.00

Definitions

'Adjusted underlying revenue' means total income other than:

- (a) Non-recurrent grants used to fund capital expenditure
- (b) Non-monetary asset contributions
- (c) Contributions to fund capital expenditure from sources other than those referred to above.

'Infrastructure' means non-current property, plant and equipment excluding land

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

'Population' means the resident population estimated by Council

'Own-source revenue' means adjusted underlying revenue other than revenue that is not under the control of Council (including government grants)

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

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

'Unrestricted cash' means all cash and cash equivalents other than restricted cash.

Service Performance Indicators

For the year ended 30 June 2019

Service/Indicator/Measure	Result					Material Variations and Comments
	2014-15	2015-16	2016-17	2017-18	2018-19	
Animal Management Health and Safety <i>Animal management prosecutions</i> [Number of successful animal management prosecutions]	15	5	12	12	9	Knox City Council will investigate and prosecute all Dog attacks and non-infringeable breaches of the Domestic Animals Act, to which there is willingness of the victim and/or sufficient evidence to support the charges laid. The timing of when a matter is heard by the Magistrates' Court is dependent upon several factors including: The complexity and time taken to investigate, ahead of a charge and summons being prepared and filed by Council on a matter; The Magistrates' Court schedule/availability to hear matters brought by Council; and Whether matters proceeds on a first mention, or is contested or adjourned to a later Court date - based on the election of either Council or the Defendant's legal representative.
Aquatic facilities Utilisation <i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	3.62	3.67	3.60	3.49	2.68	The decrease seen in aquatic visits in 2018-19 is attributed to improved reporting and monitoring which has allowed Council to identify and eliminate spectators from participation rates. Overall when applying this improved methodology to previous years result participation rates remain relatively stable.

Service/Indicator/Measure	Result					Material Variations and Comments
	2014-15	2015-16	2016-17	2017-18	2018-19	
Food safety Health and Safety <i>Critical and major non-compliance outcome notifications</i> [Number of critical non-compliance outcome notifications and major non-compliance outcome notifications about a food premises followed-up / Number of critical non-compliance outcome notifications and major non-compliance outcome notifications about food premises] x100	94.73%	91.95%	90.50%	90.16%	100.00%	All premises subject to major or critical non-compliances are followed up in accordance with the officers' directions notice. There were 229 Major Non-Compliances and 10 Critical Non Compliances in calendar year 2018, all of which were followed up as required.
Governance Satisfaction <i>Satisfaction with council decisions</i> [Community satisfaction rating out of 100 with the performance of Council in making decisions in the interest of the community]	59	62	55	56	60	
Libraries Participation <i>Active library members</i> [Number of active library members / Municipal population] x100	18.14%	14.01%	13.01%	13.39%	13.28%	
Maternal and Child Health (MCH) Participation <i>Participation in the MCH service</i> [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100	82.75%	79.07%	80.88%	81.25%	79.12%	

Service/Indicator/Measure	Result					Material Variations and Comments
	2014-15	2015-16	2016-17	2017-18	2018-19	
Participation <i>Participation in the MCH service by Aboriginal children</i> [Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100	92.31%	74.24%	87.30%	75.47%	77.97%	
Roads Satisfaction <i>Satisfaction with sealed local roads</i> [Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]	70	67	68	69	73	
Statutory Planning Decision-making <i>Council planning decisions upheld at VCAT</i> [Number of VCAT decisions that did not set aside Council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100	41.67%	44.83%	52.00%	54.05%	33.33%	The increase in the percentage of VCAT decisions that did set aside the Council decision can be attributed to high number of refusal appeals that were ultimately approved by VCAT. Many of the decisions involved interpretation of the new Knox Housing Strategy (2015).
Waste Collection Waste diversion <i>Kerbside collection waste diverted from landfill</i> [Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100	53.30	52.01%	53.41%	51.97%	55.89%	

Definitions

'Aboriginal child' means a child who is an Aboriginal person.

'Aboriginal person' has the same meaning as in the *Aboriginal Heritage Act 2006*.

'Active library member' means a member of a library who has borrowed a book from the library.

'Annual report' means an annual report prepared by a council under sections 131, 132 and 133 of the *Local Government Act 1989*.

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

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

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

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

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

'Food premises' has the same meaning as in the *Food Act 1984*.

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

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

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

'Population' means the resident population estimated by council

'Target population' has the same meaning as in the Agreement entered into for the purposes of the *Home and Community Care Act 1985* of the Commonwealth.

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

Financial Performance Indicators

For the year ended 30 June 2019

Dimension/ <i>indicator/measure</i>	Results				Forecasts				Comments*
	2016	2017	2018	2019	2020	2021	2022	2023	
Efficiency									
Revenue level									
<i>Average residential rate per residential property assessment</i> [Residential rate revenue / Number of residential property assessments]	\$1,290.92	\$1,267.96	\$1,326.47	\$1,355.23	\$1,395.38	\$1,420.53	\$1,469.82	\$1,519.79	
Expenditure level									
<i>Expenses per property assessment</i> [Total expenses / Number of property assessments]	\$2,232.71	\$2,219.18	\$2,237.89	\$2,308.49	\$2,547.09	\$2,501.90	\$2,514.50	\$2,507.09	
Workforce turnover									
<i>Resignations and terminations compared to average staff</i> [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x 100	11.70%	12.77%	13.17%	12.98%	12.51%	12.51%	12.51%	12.51%	

Dimension/ <i>indicator/measure</i>	Results				Forecasts				Comments*
	2016	2017	2018	2019	2020	2021	2022	2023	
Liquidity									
Working capital									
<i>Current assets compared to current liabilities</i> [Current assets / Current liabilities] x 100	229.86%	235.53%	236.21%	236.52%	155.92%	139.91%	118.13%	121.91%	
Unrestricted cash									
<i>Unrestricted cash compared to current liabilities</i> [Unrestricted cash / Current liabilities] x 100	-11.27%	-4.34%	-11.22%	27.20%	79.62%	64.93%	46.92%	54.20%	At 30 June 2019, Council had \$37.5 million in term deposits due to mature within 90 days. \$15.0 million of these deposits are not reflected in this measure. Other Financial Assets, being term deposits held with an original maturity term greater than 90 days, have decreased by \$23.5 million at 30 June 2019 compared to 30 June 2018.

Dimension/ <i>indicator/measure</i>	Results				Forecasts				Comments*
	2016	2017	2018	2019	2020	2021	2022	2023	
Obligations									
Asset renewal <i>Asset renewal compared to depreciation</i> [Asset renewal expensed / Asset depreciation] x 100	101.74%	112.65%	112.57%	112.45%	140.79%	127.68%	133.17	124.54	
Loans and borrowings <i>Loans and borrowings compared to rates</i> [Interest bearing loans and borrowings / Rate revenue] x 100	12.99%	0.00%	0.00%	0.00%	43.19%	47.77%	51.02%	44.11%	
<i>Loans and borrowings repayments compared to rates</i> [Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x 100	2.94%	14.34%	0.00%	0.00%	3.40%	6.69%	7.73%	7.49%	

Dimension/ <i>indicator/measure</i>	Results				Forecasts				Comments*
	2016	2017	2018	2019	2020	2021	2022	2023	
Indebtedness <i>Non-current liabilities compared to own source revenue</i> [Non-current liabilities / Own source revenue] x 100	12.36%	4.62%	3.63%	4.37%	35.90%	37.38%	40.09%	33.47%	Own source revenue has increased by 3.72%, offsetting the increase in the only non-current liability, being employee provisions. Over the next four year period there is an increase in the percentage as a result of anticipated borrowings to fund several planned major projects in the municipality.
Operating positions									
Adjusted underlying result <i>Adjusted underlying surplus (or deficit)</i> [Adjusted underlying surplus (deficit) / Adjusted underlying revenue] x 100	13.59%	10.31%	10.95%	9.37%	0.12%	6.55%	8.24%	11.60%	The reduction in the adjusted underlying surplus is largely due to the increase in materials and services, in particular the increase in waste management contract costs, and the increase in employee costs. This has been partially offset by the increase in non-recurrent capital grants.

Dimension/ <i>indicator/measure</i>	Results				Forecasts				Comments*
	2016	2017	2018	2019	2020	2021	2022	2023	
Stability									
Rates concentration <i>Rates compared to adjusted underlying revenue</i> [Rate revenue / Adjusted underlying revenue] x 100	61.56%	66.59%	66.74%	66.92%	68.61%	66.45%	67.00%	65.81%	
Rates effort <i>Rates compared to property values</i> [Rate revenue / Capital improved value of rateable properties in the municipality] x 100	0.30%	0.26%	0.26%	0.22%	0.24%	0.24%	0.23%	0.22%	Annual revaluations are now to be undertaken effective every 1 January. The valuation for 1 January 2019 showed a significant decrease in CIV of 9%.

Definitions

'Adjusted' underlying revenue" means total income other than:

- (a) Non-recurrent grants used to fund capital expenditure
- (b) Non-monetary asset contributions

(c) Contributions to fund capital expenditure from sources other than those referred to above.

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

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

'Current assets' has the same meaning as in the AAS

'Current liabilities' has the same meaning as in the AAS

'Non-current assets' means all assets other than current assets

'Non-current liabilities' means all liabilities other than current liabilities

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

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

'Population' means the resident population estimated by council

'Rate revenue' means revenue from general rates, municipal charges, service rates and service charges

'Recurrent grant' means a grant other than a non-recurrent grant

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

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

'Unrestricted cash' means all cash and cash equivalents other than restricted cash.