



Annual Financial Report

For the year ended
30 June 2020





Contents

Financial report

Certification of the Financial Statements	04
Victorian Auditor-General's Office Audit Report	05
Financial Statements	
Comprehensive Income Statement	07
Balance Sheet	08
Statement of Changes in Equity	09
Statement of Cash Flows	10
Statement of Capital Works	11
Overview	12
Covid-19 pandemic	14
Notes to Financial Statements	
Note 1 Performance against budget	15
1.1. Income and expenditure	15
1.2. Capital works	17
Note 2 Analysis of Council results by program	19
Note 3 Funding for the delivery of our services	21
3.1. Rates and charges	21
3.2. Statutory fees and fines	21
3.3. User fees	21
3.4. Funding from other levels of government	22
3.5. Contributions	24
3.6. Net gain/(loss) on disposal of property, infrastructure, plant and equipment	24
3.7. Other income	24
Note 4 The cost of delivering services	25
4.1. Employee costs	25
4.2. Materials and services	25
4.3. Depreciation	25
4.4. Amortisation - Right of use assets	25
4.5. Bad and doubtful debts	26
4.6. Borrowing costs	26
4.7. Finance Costs - Leases	26
4.8. Other expenses	26

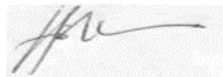
Note 5 Our financial position	27
5.1. Financial assets	27
5.2. Non-financial assets	29
5.3. Payables	29
5.4. Interest-bearing liabilities	30
5.5. Provisions	30
5.6. Financing arrangements	31
5.7. Commitments	32
5.8. Leases	32
Note 6 Assets we manage	34
6.1. Non current assets classified as held for sale	34
6.2. Property, infrastructure plant and equipment	35
6.3. Investment property	40
Note 7 People and relationships	41
7.1. Council and key management remuneration	41
7.2. Related party disclosure	42
Note 8 Managing uncertainties	43
8.1. Contingent assets and liabilities	43
8.2. Change in accounting standards	44
8.3. Financial instruments	44
8.4. Fair value measurement	46
8.5. Events occurring after balance date	46
Note 9 Other matters	47
9.1. Reserves	47
9.2. Reconciliation of cash flows from operating activities to surplus	48
9.3. Superannuation	48
9.4. Prior period matters	50
Note 10 Change in accounting policy	51

Performance Statement

Certification of the Performance Statement	52
Victorian Auditor-General's Office Audit Report on the performance statement	53
Performance Statement and notes accompanying the Performance Statement	55

Certification of the Financial Statements

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



Hamish Munro, CPA

Principal Accounting Officer

Date : 11 September 2020

Altona

In our opinion the accompanying financial statements present fairly the financial transactions of Hobsons Bay City Council for the year ended 30 June 2020 and the financial position of the Council as at that date.

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

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



Councillor Colleen Gates

Councillor

Date : 11 September 2020

Altona



Councillor Sandra Wilson

Councillor

Date : 11 September 2020

Altona



Aaron van Egmond

Chief Executive Officer

Date : 11 September 2020

Altona

Independent Auditor's Report

To the Councillors of Hobsons Bay City Council

Opinion	<p>I have audited the financial report of Hobsons Bay City Council (the council) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2020 • comprehensive income statement for the year then ended • statement of changes in equity for the year then ended • statement of cash flows for the year then ended • statement of capital works for the year then ended • notes to the financial statements, including significant accounting policies • certification of the financial report. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the council as at 30 June 2020 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 6 of the <i>Local Government Act 1989</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Councillors's responsibilities for the financial report	<p>The Councillors of the council are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Local Government Act 1989</i>, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Councillors are responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report	<p>As required by the <i>Audit Act 1994</i>, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.</p> <p>As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:</p> <ul style="list-style-type: none"> • identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. • obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the council's internal control • evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Councillors • conclude on the appropriateness of the Councillors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern. • evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation. <p>I communicate with the Councillors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.</p>
---	---

MELBOURNE
23 September 2020



Sahchu Chummar
as delegate for the Auditor-General of Victoria

Comprehensive Income Statement For the Year Ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Income			
Rates and charges	3.1	111,764	107,961
Statutory fees and fines	3.2	4,474	5,295
User fees	3.3	3,268	6,351
Grants - operating	3.4	13,290	12,750
Grants - capital	3.4	7,426	5,585
Contributions - monetary	3.5	3,440	4,671
Fair value adjustments for investment property	6.3	381	-
Other income	3.7	3,941	4,692
Total income		147,984	147,305
Expenses			
Employee costs	4.1	51,453	55,850
Materials and services	4.2	48,148	41,561
Depreciation	4.3	20,026	18,626
Amortisation - right of use assets	4.4	889	-
Bad and doubtful debts	4.5	550	576
Borrowing costs	4.6	627	627
Finance costs - leases	4.7	76	-
Loss on disposal of property, infrastructure, plant and equipment	3.6	1,980	974
Other expenses	4.8	906	1,437
Total expenses		124,655	119,651
Surplus/(deficit) for the year		23,329	27,654
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	6.2	564	(3,105)
Total comprehensive result		23,893	24,549

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

Balance Sheet As at 30 June 2020

	Note	2020 \$'000	2019 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1	5,471	1,218
Trade and other receivables	5.1	13,537	10,633
Other financial assets	5.1	69,000	85,357
Inventories	5.2	29	30
Other assets	5.2	1,325	1,443
Total current assets		89,362	98,681
Non-current assets			
Trade and other receivables	5.1	271	345
Other financial assets	5.1	1	-
Property, infrastructure, plant and equipment	6.2	1,248,436	1,204,325
Right-of-use assets	5.8	1,098	-
Investment property	6.3	13,785	13,404
Total non-current assets		1,263,591	1,218,074
Total assets		1,352,953	1,316,755
Liabilities			
Current liabilities			
Trade and other payables	5.3	22,462	13,848
Trust funds and deposits	5.3	8,078	7,141
Provisions	5.5	11,566	12,390
Lease liabilities	5.8	739	-
Total current liabilities		42,845	33,379
Non-current liabilities			
Provisions	5.5	874	753
Interest-bearing liabilities	5.4	14,200	14,200
Lease liabilities	5.8	389	-
Total non-current liabilities		15,463	14,953
Total liabilities		58,308	48,332
Net assets		1,294,645	1,268,423
Equity			
Accumulated surplus		525,316	482,695
Reserves	9.1	769,329	785,728
Total Equity		1,294,645	1,268,423

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

Statement of Changes in Equity For the Year Ended 30 June 2020

	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2020					
Balance at beginning of the financial year		1,268,423	482,695	721,186	64,542
Opening balance adjustment	9.4	2,329	2,329	-	-
Adjusted opening balance		<u>1,270,752</u>	<u>485,024</u>	<u>721,186</u>	<u>64,542</u>
Surplus/(deficit) for the year		23,329	23,329	-	-
Net asset revaluation increment/(decrement)	6.2	564	-	564	-
Transfers to other reserves	9.1	-	28,195	-	(28,195)
Transfers from other reserves	9.1	-	(11,232)	-	11,232
		<u>23,893</u>	<u>40,292</u>	<u>564</u>	<u>(16,963)</u>
Balance at end of the financial year		<u>1,294,645</u>	<u>525,316</u>	<u>721,750</u>	<u>47,579</u>

		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2019					
Balance at beginning of the financial year		1,243,747	469,579	724,291	49,877
Change in accounting policy		127	127	-	-
Balance at beginning of the financial year as restated		<u>1,243,874</u>	<u>469,706</u>	<u>724,291</u>	<u>49,877</u>
Surplus/(deficit) for the year		27,654	27,654	-	-
Net asset revaluation increment/(decrement)	6.2	(3,105)	-	(3,105)	-
Transfers to other reserves	9.1	-	(26,444)	-	26,444
Transfers from other reserves	9.1	-	11,779	-	(11,779)
Balance at end of the financial year		<u>1,268,423</u>	<u>482,695</u>	<u>721,186</u>	<u>64,542</u>

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 2020

		2020 Inflows/ (Outflows) \$'000	2019 Inflows/ (Outflows) \$'000
	Note		
Cash flows from operating activities			
Rates and charges		110,023	106,624
Statutory fees and fines		4,071	4,541
User fees		3,717	6,766
Grants - operating		12,804	12,750
Grants - capital		6,691	7,515
Contributions - monetary		3,440	4,671
Interest received		1,679	1,847
Trust funds and deposits taken		1,810	2,258
Other receipts		2,890	2,867
Net GST refund/payment		8,814	6,824
Employee costs		(52,156)	(56,128)
Materials and services		(54,903)	(48,455)
Short-term, low value and variable lease payments		(167)	-
Trust funds and deposits repaid		(873)	(1,220)
Net cash provided by/(used in) operating activities		47,840	50,860
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	6.2	(58,500)	(34,089)
Proceeds from sale of property, infrastructure, plant and equipment		475	360
Payments for investments		-	(18,000)
Proceeds from sale of investments		16,000	-
Net cash provided by/(used in) investing activities		(42,025)	(51,729)
Cash flows from financing activities			
Finance costs		(627)	(627)
Interest paid - lease liability		(76)	-
Repayment of lease liabilities		(859)	-
Net cash provided by/(used in) financing activities		(1,562)	(627)
Net increase (decrease) in cash and cash equivalents		4,253	(1,496)
Cash and cash equivalents at the beginning of the financial year		1,218	2,714
Cash and cash equivalents at the end of the financial year		5,471	1,218
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 2020

	Note	2020 \$'000	2019 \$'000
Property			
Land		-	643
Total land		-	643
Buildings		19,464	7,550
Heritage buildings		527	1,560
Total buildings		19,991	9,110
Total property		19,991	9,753
Plant and equipment			
Heritage plant and equipment		50	51
Plant, machinery and equipment		1,704	1,321
Fixtures, fittings and furniture		4,728	1,718
Computers and telecommunications		1,359	693
Library books		705	739
Total plant and equipment		8,546	4,522
Infrastructure			
Roads		5,151	5,254
Bridges		725	50
Footpaths and cycleways		3,901	2,462
Drainage		3,185	2,424
Recreational, leisure and community facilities		3,001	2,018
Waste management		2,537	266
Parks, open space and streetscapes		14,987	4,824
Off street car parks		468	775
Other infrastructure		939	552
Total infrastructure		34,894	18,625
Total capital works expenditure		63,431	32,900
Represented by:			
New asset expenditure		7,285	7,257
Asset renewal expenditure		21,511	23,010
Asset upgrade expenditure		34,635	2,633
Total capital works expenditure		63,431	32,900

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

Notes to the Financial Report For the Year Ended 30 June 2020

OVERVIEW

Introduction

Hobsons Bay City Council was established by an Order of the Governor in Council on 22 June 1994 and is a body corporate.

The Council's main office is located at 115 Civic Parade, Altona.

Statement of compliance

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

Significant accounting policies

(a) Basis of accounting

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of employee provisions (refer to Note 5.5)
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of *AASB 15 Revenue from Contracts with Customers* or *AASB 1058 Income of Not-for-Profit Entities* (refer to Note 3)
- the determination, in accordance with *AASB 16 Leases*, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.8)

The declaration of a global pandemic by World Health Organisation has resulted in various measures being taken by all levels of Government in Australia to reduce the spread of COVID-19. This has created a level of uncertainty around the judgements, assumptions and estimations used to determine the carrying values of assets and liabilities.

Amounts which may be affected by the pandemic include:

- Receivables and expected credit loss provision may be affected by a continuing economic downturn;
- Fair value of non-financial assets valued by unit rates and direct replacement cost is not immediately affected;
- Impairment of non-financial assets may be affected by the continuation of work restrictions affecting the ability of Council to maintain assets;
- Superannuation The Vision Super defined benefit fund Vested Benefit Index may require support if there is a deterioration in the financial market;
- Going concern - Council has the capacity and resources to continue operating during the Covid-19 pandemic and manage the economic challenges during the downturn. Council's Annual Budget for 2020-21 reflects Council's future expectations about the future environment and the capacity of Council to continue as a going concern.
- the assumption that Council can continue to operate as a going concern remains the appropriate basis to prepare the Annual Financial Report;
- Subsequent events including the stage 4 lockdown restrictions which have been met by Council's Community Support Package #2 outlined in the Annual Budget for 20-21.

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 (except where transitional requirements of *AASB 15 Revenue from Contracts with Customers*, *AASB 16 Leases* and *AASB 1058 Income of Not-for-Profit Entities* do not require restatement of comparatives under the modified retrospective approach adopted by the Council), and disclosure has been made of any material changes to comparatives.

Notes to the Financial Report For the Year Ended 30 June 2020

COVID-19 PANDEMIC

On 30 January 2020, COVID-19 was declared as a global pandemic by World Health Organisation. Since then, various measures have been taken by all levels of Government in Australia to reduce the spread of COVID-19. This crisis and measures taken to mitigate it has impacted council operations in the following areas for the financial year ended 30 June 2020:

In response to government directives amidst the COVID-19 outbreak, Council facilities, libraries, community centres and halls were closed to the community which has resulted in a decrease in Council User fee revenue.

User fees were also impacted by the downturn in the market and the refund of fees as part of the Community support package which included food premises registration (\$414,000) and footpath trading permits (\$122,000).

Council provided a full rental rebate and refunds to eligible business tenants in rent agreements from 1 April 2020 to 30 June 2020 which reduced rent revenue within Other income (\$316,000).

Statutory fees and fines were impacted by the market downturn from the pandemic and the refund of fees and charges as part of Council's Community Support Package (\$593,000).

Council revised its Hardship Policy in response to the crisis on 23 June 2020. This is expected to result in an increase in the deferment of rates, fees, charges and rentals. Council has a net \$16,000 reduction in rate interest from the deferment of interest to date.

The financial impact of the deferral of rates revenue has contributed to the rates debtor balance as at 30 June 2020 to increase by \$1.734 million compared to last year - refer to Note 5.1 (c).

Subsequent events

Since 30 June 2020 there have been Covid-19 developments including an increase in transmission and the introduction of stage 4 restrictions from 2 August 2020 further impacting local socio-economic activity.

This will have an impact on service delivery, revenues, add additional expenses to the delivery of Council services and programs. The full effect is difficult to estimate due to the uncertainty and continuation of the Covid-19 pandemic.

A further Community Support Package has been included in the Annual Budget 2020-21 which provides an estimated \$5.2 million to provide support to businesses, community organisations and the community affected by the Covid-19 pandemic. This includes approximately \$2.2 million in rate adjustments (rebate), \$1.965 million dedicated to business and economic recovery and nearly \$943,000 invested into local community recovery.

The \$2.2 million rate adjustment package includes an adjustment to each property type of :- \$20 for residential, \$60 for cultural and recreational, \$200 for eligible commercial and \$915 for eligible industrial.

The business and economic recovery package of \$1.965 million includes rebates for Food Safety registrations (\$595,000), Footpath trading permits (\$150,000), Health registrations (\$63,000) and planning fees (\$177,000) commercial rental relief (\$210,000), Nelson Place, Williamstown parking fee suspension to December 2020 (\$520,000) and business precinct support campaign (\$250,00).

The community recovery package includes Covid-19 recovery community grants (\$500,000), local connections program (\$100,000), venue and facility use (\$132,000), sports recovery program (\$152,000) and access to technology (\$60,000).

Note 1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of the lower of ten percent or one million where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

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

1.1 Income and expenditure

	Budget 2020 \$'000	Actual 2020 \$'000	Variance 2020 \$'000	Variance 2020 %	Ref
Income					
Rates and charges	111,161	111,764	603	0.5%	
Statutory fees and fines	4,900	4,474	(426)	(8.7%)	
User fees	4,649	3,268	(1,381)	(29.7%)	1
Grants - operating	12,805	13,290	485	3.8%	
Grants - capital	6,003	7,426	1,423	23.7%	2
Contributions - monetary	4,136	3,440	(696)	(16.8%)	3
Net gain on disposal of property, infrastructure, plant and equipment	61	-	(61)	(100.0%)	4
Fair value adjustments for investment property	-	381	381	0.0%	5
Other income	4,333	3,941	(392)	(9.0%)	6
Total income	148,048	147,984	(64)	0.0%	
Expenses					
Employee costs	54,175	51,453	2,722	5.0%	7
Materials and services	46,968	48,148	(1,180)	(2.5%)	8
Depreciation	19,571	20,026	(455)	(2.3%)	
Amortisation - Right of use assets	-	889	(889)	0.0%	
Bad and doubtful debts	154	550	(396)	(257.1%)	9
Borrowing costs	628	627	1	0.2%	
Finance costs - Leases	-	76	(76)	0.0%	
Loss on disposal of property, infrastructure, plant and equipment	-	1,980	(1,980)	0.0%	4
Other expenses	1,501	906	595	39.6%	10
Total expenses	122,997	124,655	(1,658)	-1.3%	
Surplus/(deficit) for the year	25,051	23,329	(1,722)	-6.9%	

(i) Explanation of material variations

Item	Explanation
1	User fees were \$1.381 million under budget but after adjusting for the reclassification of dispensation and pool registrations as statutory fees and fines the variance would be \$1.278 million under budget. This is mainly due to food premises registration fees in-line with Council's COVID-19 Community Support Package (\$414,000), Council transitioning out of providing family day care (\$248,000), reduced parking meter income as a result of COVID-19 (\$198,000), deferment of the hard waste collection trial until next financial year (\$127,000), footpath & furniture trading permit Community Support Package (\$122,000), rates debt recovery costs – offset against reduced expenditure (\$83,000), town planning advertising permits (\$76,000), private chargeable works – offset by reduced expenditure (\$75,000), reduced demand for meals for clients over 65 (\$45,000), planning scheme amendment panel hearing fees (\$42,000) and reduced fees for planned activity groups as a result of COVID-19 (\$35,000).

(i) Explanation of material variations

Item	Explanation
2	Capital grants were over budget from the Westgate Tunnel project funding forecast in 2018/19 and recognised in 2019/20 (\$1.962million) and additional amounts for Esplanade pedestrian improvements (\$229,000), Floodlighting (\$200,000) offset by shortfalls for Digman Reserve (\$250,000), Bayside Paisley College (\$565,000) and Bayside Williamstown (\$93,000).
3	Contributions Monetary contributions were \$696,000 under budget. The most significant decreases relate to open space contributions (\$322,000), the former Caltex site Developer Contribution Plan (\$266,000) and the Port Phillip Woollen Mill Developer Contribution Plan (\$206,000).
4	<p>The net loss on disposal of property, infrastructure, plant and equipment of \$1.980 million mainly occurred as a result of the 'disposal' of the road surface, footpaths and cycleways as these assets are replaced or renewed (\$760,000). Other asset disposals include the Frances Sullivan kindergarten building (\$696,000), other assets (\$230,000), parks and open space (\$175,000). and the disposal of shares in the Regional Kitchen Pty. Ltd (\$371,000) offset by asset sale income (\$475,000).</p> <p>This was offset by the disposal of a strip of land acquired by the Westgate Distributor Authority (\$274,000).</p>
5	This non-cash amount represents the increase in value of Council's investment properties upon revaluation (\$381,000).
6	Other income was under budget by \$392,000 mainly due to the rental rebate provided to eligible business tenants in Council-owned buildings in-line with Council's COVID-19 Community Support Package (\$316,000) and the closure of the Williamstown Hall (\$74,000) as a result of COVID-19. This was offset by increased interest on investments as a result of higher available cash reserves (\$50,000).
7	<p>Employee costs were under budget by \$2.722 million mainly due to the capitalisation of project management employee costs (\$1.44 million) to capital works expenditure, short term vacancies, a temporary hold on positions as a result of COVID-19 and a reduction in hours worked (\$1.852 million), organisational restructure savings (\$687,000) and a delay in the enterprise agreement (\$877,000).</p> <p>The most significant increases relate to new positions that were not included in the budget (\$1.419 million) and additional employee costs in relation to waste management for the Recycling 2.0 project (\$730,000).</p>
8	<p>Materials includes operational projects transferred from the capital works program over budget that do not add to the Council's asset base (\$1.07 million) and capitalisation of operational expenditure (\$57,000). From a financial perspective these are transfers of costs rather than additional costs. After adjusting for capital works transfers to and from, materials and services are \$656,000 over budget.</p> <p>The most significant increase on budget was for waste management costs including the Recycling 2.0 project (\$1.172 million).</p> <p>Other increases include Road & drains administration works (\$846,000), arboriculture works associated with updating park tree data and high risk works identified in a tree audit (\$616,000) and the Hobsons 2.0 project relating to information technology, relocation and waste removal expenses (\$325,000).</p> <p>The most significant decreases relate to an ongoing focus on the recently introduced efficiency review (\$2.421 million), community care services due to reduced funding as a result of the NDIS, contract negotiations and reduced services as a result of COVID-19 (\$599,000), planning scheme amendments - as a result of projects deferred due to staff vacancies and COVID-19 (\$511,000) and organisation wide training costs as a result of training on hold due to COVID-19 restrictions (\$348,000).</p>
9	Bad and doubtful debts were over budget by \$396,000. This mainly relates to the delays at Fines Victoria, Billing Bureau and Tenix for unpaid parking fines.
10	Other expenses are \$595,000 under budget mainly due to the change in the accounting treatment of motor vehicle lease costs (\$409,000) and reductions in plant operating costs (\$167,000).

1.2 Capital works

	Budget 2020 \$'000	Actual 2020 \$'000	Variance \$'000	Variance %	Ref
Property					
Buildings	27,716	19,464	(8,252)	-30%	1
Heritage buildings	-	527	527	0%	2
Total buildings	27,716	19,991	(7,725)	-28%	
Total property	27,716	19,991	(7,725)	-28%	
Plant and equipment					
Heritage plant and equipment	-	50	50	0%	
Plant, machinery and equipment	1,050	1,704	654	62%	3
Fixtures, fittings and furniture	70	4,728	4,658	6654%	4
Computers and telecommunications	1,160	1,359	199	17%	5
Library books	900	705	(195)	-22%	6
Total plant and equipment	3,180	8,546	5,366	169%	
Infrastructure					
Roads	4,675	5,151	476	10%	7
Bridges	275	725	450	164%	8
Footpaths and cycleways	3,537	3,901	364	10%	9
Drainage	2,130	3,185	1,055	50%	10
Recreational, leisure and community facilities	2,143	3,001	858	40%	11
Waste management	10	2,537	2,527	25270%	12
Parks, open space and streetscapes	15,054	14,987	(67)	0%	
Off street car parks	420	468	48	11%	13
Other infrastructure	630	939	309	49%	14
Total infrastructure	28,874	34,894	6,020	21%	
Total capital works expenditure	59,770	63,431	3,661	6%	
Represented by:					
New asset expenditure	12,150	7,285	(4,865)	-40%	15
Asset renewal expenditure	23,367	21,511	(1,856)	-8%	15
Asset upgrade expenditure	24,253	34,635	10,382	43%	15
Total capital works expenditure	59,770	63,431	3,661	6%	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Buildings	J.T. Gray reserve pavilion (\$2.543 million), Altona sports Centre extension (\$1.392 million), Dennis Reserve underspend (\$1.323) million, Digman Reserve pavilion (\$635,000), Bayside Paisley college (\$856,000), public toilet renewals (\$183,000).
2	Heritage buildings	Heritage buildings were over budget (\$363,000) as a result of works at the Williamstown Mechanics Institute and Williamstown Town Hall (\$144,000).
3	Plant, machinery and equipment	Plant, machinery and equipment is over budget as a result of additional motor vehicle purchases (\$788,000) as Council transitions to purchasing motor vehicles rather than leasing and the purchase of electric vehicles.
4	Fixtures, fittings and furniture	Furniture and fittings were over budget for the fitout of the Altona Civic Centre (\$4.368 million) which was budgeted under buildings.
5	Computers and telecommunications	Computers and telecommunications over spend is from audio visual equipment (\$315,000) and under spend on the Library management system (\$110,000).
6	Library books	Library books under expenditure is offset by additional operating expenditure on e-books, licenses and subscriptions (\$205,000).

**Notes to the Financial Report
For the Year Ended 30 June 2020**

Variance Ref	Item	Explanation
7	Roads	Roads were over budget by \$675,000. Over budget spends were on Ajax Road Altona (\$565,000), Truman Street South Kingsville (\$366,000), Charles Street Williamstown (\$171,000), Forrest Street Spotswood (\$135,000) offset by underspends on Vernon Street Williamstown (\$380,000) and pedestrian crossings at Pier Street Altona (\$151,000) and Douglas Parade (\$187,000).
8	Bridges	Bridges is over budget due to the P.A. Burns bridge (\$376,000) and Altona boat ramp foot bridge (\$96,000).
9	Footpaths and cycleways	Footpaths and cycleways are over budget due to P.A. Burns reserve Altona (\$424,000), Stevedore Street Williamstown beautification (\$370,000) and Crofton Reserve Williamstown (\$206,000), Armstrong Reserve Newport (\$105,000), Minor renewal works (\$96,000) and Melbourne Road Williamstown (\$66,000). Offset by underspends on Skeleton Creek Trail (\$662,000) and Champion Road Williamstown (\$421,000).
10	Drainage	Drainage is above budget as a result of works on Millers Road Altona outfall (\$431,000), Yarra Street, Dover Road and the Strand Newport (\$401,000), Esplanade and Sargood Street Altona flood mitigation (\$292,000).
11	Recreational, leisure and community facilities	Recreational, leisure and community facilities is over budget as a result of Bayside College Paisley campus (\$968,000), Bayside College Williamstown (\$628,000) and Epsom Street Laverton project (\$276,000). This was offset by underspends at H.D. Graham reserve development (\$411,000) and Fearon Reserve floodlighting (\$268,000).
12	Waste management	Waste management is over budget as a result of Council's Recycling 2.0 program including additional bins for each household.
13	Off street car parks	Off street car parks are over budget as a result of works at Altona golf course and box lacrosse (\$306,000).
14	Other infrastructure	Other infrastructure is over budget from works at Esplanade Williamstown pedestrian improvements (\$131,000), pedestrian crossing Douglas Parade (\$94,000) and Blyth Street and Grieve Parade Altona (\$83,000).
15	New renewal and upgrade expenditure	Variations to the budget are the result of the above changes and the classification of expenditure to the appropriate category.

Notes to the Financial Report For the Year Ended 30 June 2020

Note 2 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

2 (a) Corporate Services

Corporate services provides efficient, effective and proactive support services across council to enable the delivery of policy commitments, council vision and mission. The provision of these services includes finance services, digital information and technology, property and procurement, strategy and program delivery and program integration and development.

Sustainable Communities

Sustainable communities provides high quality community focused programs, service delivery and communication to residents. Sustainable communities is comprised of community care, community development, family and children's services, public health, and social planning and investment.

The planning services area includes the assessment of city development, health and local laws, planning strategy and urban growth.

Infrastructure and City Services

City services 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.

Notes to the Financial Report
For the Year Ended 30 June 2020

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

	Income	Expenses	Surplus	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2020					
Corporate Services	33,651	27,491	6,160	1,443	48,366
Sustainable Communities	56,329	46,925	9,404	9,153	142,893
Infrastructure & City Services	58,004	50,239	7,765	10,120	1,161,694
	147,984	124,655	23,329	20,716	1,352,953
	Income	Expenses	Surplus	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2019					
Corporate Services	29,588	22,423	7,165	484	53,190
Sustainable Communities	66,813	52,907	13,906	10,227	173,213
Infrastructure & City Services	50,904	44,321	6,583	7,624	1,090,352
	147,305	119,651	27,654	18,335	1,316,755

**Notes to the Financial Report
For the Year Ended 30 June 2020**

Note 3 Funding for the delivery of our services
3.1 Rates and charges

2020
\$'000 **2019**
\$'000

Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The Capital Improved Value of a property is the sum which the property might be expected to realise at the time of valuation if offered for sale on any reasonable terms and conditions.

The valuation base used to calculate general rates for 2019/20 was \$37,726 million (2018/19 \$37,059 million). The 2019/20 residential rate in the dollar was 0.2128 cents (2018/19 0.2060 cents). Differential rating factors are used for the purpose of applying variable rates according to land use

General rates	101,054	97,894
Waste management charge	9,073	8,839
Supplementary rates and rate adjustments	479	255
Interest on rates and charges	465	460
Revenue in lieu of rates	693	513
Total rates and charges	111,764	107,961

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

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

3.2 Statutory fees and fines

Infringements and costs	2,145	2,721
Court recoveries	7	3
Town planning fees	1,566	1,745
Land information certificates	84	74
Permits	672	752
Total statutory fees and fines	4,474	5,295

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

3.3 User fees

Aged and health services	534	1,691
Leisure centre and recreation	134	448
Child care/children's programs	81	317
Parking	714	921
Registration and other permits	195	977
Roads and drains	365	277
Town planning	134	168
Facilities	340	316
Building services	323	409
Other fees and charges	448	827
Total user fees	3,268	6,351
User fees by timing of revenue recognition		
User fees recognised over time	-	-
User fees recognised at a point in time	3,268	6,351
Total user fees	3,268	6,351

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

User fee reduction from Councils response to the Covid-19 pandemic includes Community Support Package refunds of registration and permits of \$518,000 at 30 June 2020. In addition, there has been a reduction in Aged Care services provided by Council of \$1.157million.

**Notes to the Financial Report
For the Year Ended 30 June 2020**

Note 3 Funding for the delivery of our services	2020 \$'000	2019 \$'000
3.4 Funding from other levels of government		
Grants were received in respect of the following :		
Summary of grants		
Commonwealth funded grants	8,549	8,276
State funded grants	12,167	10,059
Total grants received	<u>20,716</u>	<u>18,335</u>
(a) Operating Grants		
<i>Recurrent - Commonwealth Government</i>		
Financial Assistance Grants	2,859	2,683
Aged home and community care	4,914	4,843
Food Services	3	2
<i>Recurrent - State Government</i>		
Family Youth and children	1,826	903
Aged home and community care	1,086	1,417
School crossing supervisors	327	284
Libraries	644	627
Maternal and child health	-	725
Infrastructure	487	218
Public Health	108	111
Beach cleaning	105	104
Recycling	265	98
Community safety	-	72
Recreation	516	42
Other	2	99
Total recurrent operating grants	<u>13,142</u>	<u>12,228</u>

	2020 \$'000	2019 \$'000
Non-recurrent - State Government		
Recycling	-	3
Recreation	4	-
Family Youth and children	92	-
Aged care	34	484
Other	18	35
Total non-recurrent operating grants	148	522
Total operating grants	13,290	12,750

(b) Capital Grants

Recurrent - Commonwealth Government		
Roads to recovery	477	664
Total recurrent capital grants	477	664
Non-recurrent - Commonwealth Government		
Infrastructure	66	85
Recreation	229	-
Non-recurrent - State Government		
Recreation	6,472	4,201
Infrastructure	182	635
Total non-recurrent capital grants	6,949	4,921
Total capital grants	7,426	5,585

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

Operating		
Balance at start of year	199	350
Received during the financial year and remained unspent at balance date	1,544	199
Received in prior years and spent during the financial year	(199)	(350)
Balance at year end	1,544	199
Capital		
Balance at start of year	1,930	-
Received during the financial year and remained unspent at balance date	223	1,930
Received in prior years and spent during the financial year	(1,930)	-
Balance at year end	223	1,930

Grant income is recognised at the point in time when the council satisfies its performance obligations as specified in the underlying agreement.

The Commonwealth government has brought forward an estimated half of the Financial Assistance Grants for the 20-21 year which were received in advance in 2019-20. This is a continuation of brought forward payments in 18-19 and the net effect is \$95,000 in advance.

**Notes to the Financial Report
For the Year Ended 30 June 2020**

	2020	2019
	\$'000	\$'000
3.5 Contributions		
Monetary	3,440	4,671
Total contributions	3,440	4,671

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

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

Proceeds of sale	475	360
Written down value of assets disposed	(2,455)	(1,334)
Total net loss on disposal of property, infrastructure, plant and equipment	(1,980)	(974)

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

	2020	2019
	\$'000	\$'000
3.7 Other income		
Interest	1,476	2,029
Investment property rental	2,140	2,059
Other rent	325	599
Other	-	5
Total other income	3,941	4,692

Interest is recognised as it is earned.

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

**Notes to the Financial Report
For the Year Ended 30 June 2020**

Note 4 The cost of delivering services	2020	2019
4.1 (a) Employee costs	\$'000	\$'000
Wages and salaries	44,341	48,412
Casual and agency staff	2,209	2,427
WorkCover	373	372
Superannuation	4,012	4,372
Fringe benefits tax	6	6
Other	512	261
Total employee costs	51,453	55,850

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	207	301
Employer contributions - other funds	-	-
	<u>207</u>	<u>301</u>
Employer contributions payable at reporting date.	-	-

Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	2,133	2,280
Employer contributions - other funds	1,726	1,814
	<u>3,859</u>	<u>4,094</u>
Employer contributions payable at reporting date.	-	-

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

4.2 Materials and services

Contracts	15,828	11,066
General maintenance	11,722	7,756
Recycling, tipping and refuse collections	6,547	5,360
Building maintenance	2,088	5,188
Utilities	3,144	3,224
Consultants	2,772	2,628
Office administration	1,264	1,905
Information technology	2,060	1,857
Community grants	1,110	1,095
Insurance	1,020	881
Other	593	601
Total materials and services	48,148	41,561

4.3 Depreciation

Property	3,303	3,063
Plant and equipment	2,721	2,358
Infrastructure	14,002	13,205
Total depreciation	20,026	18,626

Refer to note 5.2(c), 5.8 and 6.2 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

4.4 Amortisation - Right of use assets

Office equipment	503	-
Vehicles	386	-
Total Amortisation - Right of use assets	889	-

**Notes to the Financial Report
For the Year Ended 30 June 2020**

4.5 Bad and doubtful debts	2020	2019
	\$'000	\$'000
Parking fine debtors	436	552
Other debtors	114	24
Total bad and doubtful debts	550	576

Movement in provisions for doubtful debts

Balance at the beginning of the year	2,664	2,115
New provisions recognised during the year	551	602
Amounts already provided for and written off as uncollectible	(28)	(27)
Amounts provided for but recovered during the year	-	(26)
Balance at end of year	3,187	2,664

Provision for doubtful debt is recognised based on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment.

The Covid-19 pandemic has increased economic uncertainty and the likelihood of future changes to the expected credit loss model assumptions. As at 30 June 2020 the provision for doubtful debts reflects the uncertainty ahead.

4.6 Borrowing costs

Interest - Borrowings	627	627
Total borrowing costs	627	627

Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council.

4.7 Finance Costs - Leases

Interest - Lease Liabilities	76	-
Total finance costs	76	-

4.8 Other expenses

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	68	68
Auditors' remuneration - Internal	121	109
Councillors' allowances	259	254
Others	458	1,006
Total other expenses	906	1,437

**Notes to the Financial Report
For the Year Ended 30 June 2020**

Note 5 Our financial position	2020	2019
5.1 Financial assets	\$'000	\$'000
(a) Cash and cash equivalents		
Cash on hand	4	4
Cash at bank	(13)	(216)
Term deposits	5,480	1,430
Total cash and cash equivalents	5,471	1,218
(b) Other financial assets		
Regional Kitchen Pty Ltd - at fair value	-	357
Procurement Australasia Ltd - at fair value	1	-
Term deposits - current	69,000	85,000
Total other financial assets	69,001	85,357
Total financial assets	74,472	86,575

Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use.

These include:

- Trust funds and deposits (Note 5.3(b))	5,718	5,325
Total restricted funds	5,718	5,325
Total unrestricted cash and cash equivalents	(247)	(4,107)
Other financial assets - term deposits Note 5.1 (b)	69,001	85,357
Total unrestricted cash and cash equivalents and other financial assets	68,754	81,250

Intended allocations

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

- cash held to fund future infrastructure capital works	23,409	20,154
- Cash held to fund recreation land works	10,558	12,571
- Cash held to fund carried forward capital works	1,619	16,732
- Cash held to fund future loan repayments	9,650	8,125
- Cash held to fund carried forward waste management works	-	4,689
- Cash held to fund unexpended grants	1,767	199
- Cash held to fund car park reserves	222	222
- Cash held to fund street tree planting works	136	161
- Cash held to fund Hobsons Bay Caravan park site works	92	92
- Cash held to fund Port Phillip woollen mill works	414	412
Total funds subject to intended allocations	47,867	63,357

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

Other financial assets are valued at fair value, at balance date. Term deposits are measured at original cost. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.

**Notes to the Financial Report
For the Year Ended 30 June 2020**

	2020 \$'000	2019 \$'000
(c) Trade and other receivables		
Current		
Rates debtors	9,123	7,389
Net GST receivable	2,754	1,369
Infringement debtors	3,837	3,434
Provision for doubtful debts - infringements	(2,936)	(2,499)
<i>Non statutory receivables</i>		
Loans and advances to community organisations	36	32
Other debtors	974	1,073
Provision for doubtful debts - other debtors	(251)	(165)
Total current trade and other receivables	<u>13,537</u>	<u>10,633</u>
Non-current		
<i>Non statutory receivables</i>		
Other debtors	112	150
Loans and advances to community organisations	159	195
Total non-current trade and other receivables	<u>271</u>	<u>345</u>
Total trade and other receivables	<u>13,808</u>	<u>10,978</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.

Council's rate debtor increase reflects the economic uncertainty associated with the Covid-19 pandemic - councils rates remain secured against the property. The infringement debtor increase relates to Fines Victoria's collection of outstanding amounts and provision has been made to reflect the uncertainty and credit risk around this amount.

While there will be an increase in the credit risk as a result of the Covid-19 pandemic it is expected to be immaterial in the short term. In the long term changes in expected credit losses may be required to reflect the uncertainty of estimated credit risk.

(d) Ageing of Receivables

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

Current (not yet due)	272	345
Past due by up to 30 days	599	778
Past due between 31 and 180 days	23	15
Past due between 181 and 365 days	58	67
Past due by more than 1 year	78	80
Total trade and other receivables	<u>1,030</u>	<u>1,285</u>

(e) Ageing of individually impaired Receivables

At balance date, other debtors representing financial assets with a nominal value of \$1.030 million (2019: \$1.285 million) were impaired. The amount of the provision raised against these debtors was \$251,000 (2019: \$161,000). They individually have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

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

Current (not yet due)	3	5
Past due by up to 30 days	1	10
Past due between 31 and 180 days	48	25
Past due between 181 and 365 days	93	36
Past due by more than 1 year	106	85
Total trade & other receivables	<u>251</u>	<u>161</u>

**Notes to the Financial Report
For the Year Ended 30 June 2020**

5.2 Non-financial assets

	2020	2019
(a) Inventories	\$'000	\$'000

Inventories held for distribution	29	30
Total inventories	29	30

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. All other inventories, including land held for sale, are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

(b) Other assets

Prepayments	842	757
Accrued income	483	686
Total other assets	1,325	1,443

5.3 Payables

	2020	2019
(a) Trade and other payables	\$'000	\$'000

Trade payables	17,776	10,849
Accrued expenses	3,977	1,069
Total trade and other payables	21,753	11,918

(b) Trust funds and deposits

Refundable deposits	5,718	5,325
Fire services levy	1,828	1,343
Other refundable deposits	532	473
Total trust funds and deposits	8,078	7,141

(c) Unearned income

Grants received in advance - operating	486	-
Grants received in advance - capital	223	1,930
Total unearned income	709	1,930

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

Deferred income - Is the receipt of income funding a capital project which will be completed in subsequent years.

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 monthly basis. Amounts disclosed here will be remitted to the state government in line with that process.

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

**Notes to the Financial Report
For the Year Ended 30 June 2020**

5.4 Interest-bearing liabilities

	2020	2019
Non-current		
Borrowings - secured	14,200	14,200
Total	14,200	14,200

Borrowings are secured against the rates of the municipality.

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

Later than one year and not later than five years	9,200	9,200
Later than five years	5,000	5,000
	14,200	14,200

Borrowings are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs. The measurement basis subsequent to initial recognition depends on whether the Council has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through the profit and loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method.

The classification depends on the nature and purpose of the interest bearing liabilities. The Council determines the classification of its interest bearing liabilities at initial recognition.

5.5 Provisions

	Employee	Total
2020	\$ '000	\$ '000
Balance at beginning of the financial year	13,143	13,143
Additional provisions	2,726	2,726
Amounts used	(2,902)	(2,902)
Service transfers	(643)	(643)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	116	116
Balance at the end of the financial year	12,440	12,440

2019		
Balance at beginning of the financial year	13,421	13,421
Additional provisions	3,024	3,024
Amounts used	(3,174)	(3,174)
Service transfers	(96)	(96)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(32)	(32)
Balance at the end of the financial year	13,143	13,143

**Notes to the Financial Report
For the Year Ended 30 June 2020**

	2020	2019
	\$'000	\$'000
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	3,453	3,592
Time in lieu	89	65
End of band leave	147	152
Long service leave	5,249	6,136
	8,938	9,945
Current provisions expected to be wholly settled after 12 months		
Annual leave	878	399
Long service leave	1,750	2,046
	2,628	2,445
Total current employee provisions	11,566	12,390
Non-current		
Long service leave	874	753
Annual leave	-	-
Total non-current employee provisions	874	753
Aggregate carrying amount of employee provisions:		
Current	11,566	12,390
Non-current	874	753
Total aggregate carrying amount of employee provisions	12,440	13,143

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

Wages and salaries and annual leave

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

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

Long service leave

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

Key assumptions:

- discount rate	0.24% to 0.58%	1.03% to 2.15%
- index rate	2%	2%

5.6 Financing arrangements

The Council has the following funding arrangements in place as at 30 June 2020.

Bank overdraft	700	700
Credit card facilities	300	300
Other facilities	14,200	14,200
Total facilities	15,200	15,200
Used facilities	14,349	14,285
Unused facilities	851	915
	15,200	15,200

**Notes to the Financial Report
For the Year Ended 30 June 2020**

5.7 Commitments

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

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2020					
Operating					
Garbage collection	2,529	2,262	2,182	-	6,973
Building facilities	1,348	1,160	1,163	-	3,671
Meals for delivery	670	670	468	-	1,808
Utilities	591	-	-	-	591
Information and communications	484	403	-	-	887
Open space management	426	-	-	-	426
Recycling	110	44	-	-	154
Other	874	4	-	-	878
Total	7,032	4,543	3,813	-	15,388
Capital					
Buildings	20,490	15,083	11,877	-	47,450
Roads	916	916	1,216	-	3,048
Open space management	258	96	-	-	354
Other	328	-	-	-	328
Total	21,992	16,095	13,093	-	51,180
2019					
Operating					
Garbage collection	3,469	79	-	-	3,548
Utilities	1,437	595	-	-	2,032
Building facilities	1,410	1,160	2,327	-	4,897
Open space management	981	3	-	-	984
Information and communications	672	-	-	-	672
Meals for delivery	670	670	1,139	-	2,479
Home care services	192	1	-	-	193
Recycling	91	10	3	-	104
Other	1,443	226	1	-	1,670
Total	10,365	2,744	3,470	-	16,579
Cleaning contracts for council buildings					
Capital					
Buildings	13,589	177	-	-	13,766
Open space management	256	-	-	-	256
Roads	916	916	2,134	-	3,966
Total	14,761	1,093	2,134	-	17,988

5.8 Leases

Policy applicable before 1 July 2019

As a lessee, council classifies leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to council.

Operating lease payments, including any contingent rentals, were recognised as an expense in the comprehensive income statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset was not recognised in the balance sheet.

All incentives for the agreement of a new or renewed operating lease were recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives were received to enter into operating leases, the aggregate cost of incentives were recognised as a reduction of rental expense over the lease term on a straight-line basis, unless another systematic basis was more representative of the time pattern in which economic benefits from the leased asset were consumed.

**Notes to the Financial Report
For the Year Ended 30 June 2020**

Policy applicable after 1 July 2019

Council has applied *AASB 16 Leases* using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019, with no restatement of comparative information. The council applied the approach consistently to all leases in which it is a lessee.

On transition to *AASB 16 Leases*, Council elected to apply the practical expedient to 'grandfather' the assessment of which transactions are leases. The council has applied this practical expedient to all of its contracts and therefore applied *AASB 16 Leases* only to contracts that were previously identified as leases.

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

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

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

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

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

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

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

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

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

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

Council has elected to apply the temporary option available under *AASB 16 Leases* which allows not-for-profit entities to not measure right-of-use assets at initial recognition at fair value in respect of leases that have significantly below-market terms.

- Information about the entity's reliance on peppercorn leases.

- Nature and term of leases such as any qualitative information about restrictions on use of asset, information about lease term, description of underlying assets.

Right-of-Use Assets

	Vehicles	Other	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2019	842	1,145	1,987
Amortisation charge	(386)	(503)	(889)
Balance at 30 June 2020	456	642	1,098

Lease Liabilities

	2020
Maturity analysis - contractual undiscounted cash flows	\$'000
Less than one year	794
One to five years	411
More than five years	-
Total undiscounted lease liabilities as at 30 June:	1,205

Lease liabilities included in the Balance Sheet at 30 June:

Current	739
Non-current	389
Total lease liabilities	1,128

Short-term and low value leases

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

	2020
	\$'000
Short-term leases	143
Leases of low value assets	17
Total	160
Variable lease payments (not included in measurement of lease liabilities)	-

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

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

Payable:

Within one year	145
Later than one year but not later than five years	7
Total lease commitments	152

**Notes to the Financial Report
For the Year Ended 30 June 2020**

i. Leases classified as operating leases under *AASB 117 Leases*

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at Council's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. Council applied this approach to all applicable leases.

Council used the following practical expedients when applying *AASB 16 Leases* to leases previously classified as operating leases under *AASB 117*

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of *AASB 137 Provisions, Contingent Liabilities and Contingent Assets* onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Council is not required to make any adjustments on transition to *AASB 16 Leases* for leases in which it acts as a lessor, except for a sub-lease. Council accounted for its leases in accordance with *AASB 16 Leases* from the date of initial application.

There are no indicators that any of the right of use assets are impaired or affected by the Covid-19 pandemic.

Impact on financial statements

On transition to *AASB 16 Leases*, Council recognised an additional \$1.986 million of right-of-use assets and \$1.986 million of lease liabilities, recognising the difference in retained earnings.

When measuring lease liabilities, Council discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 6%.

	2019
	\$'000
Operating lease commitment at 30 June 2019 as disclosed in Council's financial statements	2,256
Recognition exemption for short term leases and leases of low value assets	(153)
Discounted using the incremental borrowing rate at 1 July 2019	(116)
Finance lease liability recognised as at 30 June 2019	1,987
<hr/>	
- Recognition exemption for:	
short-term leases	(143)
leases of low-value assets	(10)
- Lease liabilities recognised as at 1 July 2019	(153)

Note 6 Assets we manage	2020	2019
6.1 Non current assets classified as held for sale	\$'000	\$'000
Opening balance	-	147
Sale of land	-	(147)
Total non current assets classified as held for sale	-	-

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

Notes to the Financial Report
For the Year Ended 30 June 2020

6.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2019 \$'000	Opening balance adjustment \$'000	Additions \$'000	Revaluation \$'000	Depreciation \$'000	Disposal \$'000	Reclassification \$'000	Write-off \$'000	Transfers \$'000	At Fair Value 30 June 2020 \$'000
Property	711,084	2,329	3,606	(1,090)	(3,303)	(835)	(11)	-	771	712,551
Plant and equipment	10,917	-	4,178	-	(2,721)	(84)	11	-	120	12,421
Infrastructure	474,168	-	20,440	1,654	(14,002)	(1,164)	-	-	2,845	483,941
Work in progress	8,156	-	35,207	-	-	-	-	(104)	(3,736)	39,523
	1,204,325	2,329	63,431	564	(20,026)	(2,083)	-	(104)	-	1,248,436

Summary of Work in Progress

	Opening WIP \$'000	Additions \$'000	Write-off \$'000	Transfers \$'000	Closing WIP \$'000
Property	3,359	16,384	-	(447)	19,296
Plant and equipment	1	4,369	-	-	4,370
Infrastructure	4,796	14,454	(104)	(3,289)	15,857
Total	8,156	35,207	(104)	(3,736)	39,523

(a) Property

	Land - specialised \$'000	Total Land \$'000	Heritage buildings \$'000	Buildings - specialised \$'000	Buildings - non specialised \$'000	Total Buildings \$'000	Total Property \$'000	Work In Progress \$'000	Total property plus WIP \$'000
At fair value 1 July 2019	565,893	565,893	23,981	163,016	35,410	222,407	788,300	3,359	791,659
Accumulated depreciation at 1 July 2019	-	-	(6,486)	(70,730)	-	(77,216)	(77,216)	-	(77,216)
	565,893	565,893	17,495	92,286	35,410	145,191	711,084	3,359	714,443
Movements in fair value									
Additions	-	-	164	3,396	46	3,606	3,606	16,384	19,990
Discovered	2,113	2,113	-	303	-	303	2,416	-	2,416
Revaluation	(10,105)	(10,105)	(2,082)	19,864	5,064	22,846	12,741	-	12,741
Disposal	(139)	(139)	-	(696)	-	(696)	(835)	-	(835)
Transfers	-	-	136	716	(90)	762	762	(447)	315
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-
	(8,131)	(8,131)	(1,782)	23,583	5,020	26,821	18,690	15,937	34,627
Movements in accumulated depreciation									
Depreciation and amortisation	-	-	(230)	(3,073)	-	(3,303)	(3,303)	-	(3,303)
Accumulated depreciation of disposals	-	-	-	-	-	-	-	-	-
Revaluation	-	-	(4,399)	(9,432)	-	(13,831)	(13,831)	-	(13,831)
Transfers	-	-	-	(86)	-	(86)	(86)	-	(86)
	-	-	(4,629)	(12,591)	-	(17,220)	(17,220)	-	(17,220)
At fair value 30 June 2020	557,762	557,762	22,199	186,599	40,430	249,228	806,990	19,296	826,286
Accumulated depreciation at 30 June 2020	-	-	(11,115)	(83,321)	-	(94,436)	(94,436)	-	(94,436)
	557,762	557,762	11,084	103,278	40,430	154,792	712,554	19,296	731,850

(b) Plant and Equipment

	Heritage plant and equipment \$'000	Plant machinery and equipment \$'000	Fixtures and furniture \$'000	Computers and telecomms \$'000	Library books \$'000	Work In Progress \$'000	Total plant and equipment \$'000
At fair value 1 July 2019	1,601	8,316	9,537	6,058	11,751	1	37,264
Accumulated depreciation at 1 July 2019	-	(4,517)	(6,793)	(4,870)	(10,167)	-	(26,347)
	1,601	3,799	2,744	1,188	1,584	1	10,917
Movements in fair value							
Additions	50	1,704	360	1,359	705	4,369	8,547
Disposal	-	(455)	(1,075)	(75)	-	-	(1,605)
Transfers	-	-	131	-	-	-	131
	50	1,249	(584)	1,284	705	4,369	7,073
Movements in accumulated depreciation							
Depreciation and amortisation	-	(1,127)	(398)	(610)	(585)	-	(2,720)
Accumulated depreciation of disposals	-	391	1,066	63	-	-	1,520
	-	(736)	668	(547)	(585)	-	(1,200)
At fair value 30 June 2020	1,651	9,565	8,953	7,342	12,456	4,370	44,337
Accumulated depreciation at 30 June 2020	-	(5,253)	(6,125)	(5,417)	(10,752)	-	(27,547)
	1,651	4,312	2,828	1,925	1,704	4,370	16,790

Notes to the Financial Report
For the Year Ended 30 June 2020

(c) Infrastructure

	Roads	Bridges	Footpaths and cycleways	Drainage	Recreational, leisure and community	Waste Management	Parks open spaces and streetscapes	Off street car parks	Other Infrastructure	Total Infrastructure	Work In Progress	Total Infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2019	412,333	25,382	79,873	238,274	25,850	3,718	38,672	9,523	11,722	845,347	4,796	850,143
Accumulated depreciation at 1 July 2019	(203,747)	(7,753)	(55,334)	(81,377)	(7,608)	(2,575)	(6,299)	(1,083)	(5,403)	(371,179)	-	(371,179)
	208,586	17,629	24,539	156,897	18,242	1,143	32,373	8,440	6,319	474,168	4,796	478,964
Movements in fair value												
Additions	3,336	631	3,137	876	967	2,537	7,913	425	617	20,439	14,454	34,893
Revaluation	768	1,127	-	-	-	-	-	7,327	-	9,222	-	9,222
Disposal	(2,218)	-	(756)	(58)	(250)	-	(378)	-	-	(3,660)	-	(3,660)
WIP Transfers	252	112	585	168	506	-	1,032	131	57	2,843	(3,393)	(550)
Other transfers	(2,886)	314	-	-	-	-	(314)	2,886	-	-	-	-
	(748)	2,184	2,966	986	1,223	2,537	8,253	10,769	674	28,844	11,061	39,905
Movements in accumulated depreciation												
Depreciation and amortisation	(6,780)	(280)	(2,005)	(2,787)	(598)	(62)	(1,011)	(223)	(256)	(14,002)	-	(14,002)
Accumulated depreciation of disposals	1,459	-	646	23	166	-	203	-	-	2,497	-	2,497
Revaluation	1,283	(5,436)	-	-	-	-	-	(3,414)	-	(7,567)	-	(7,567)
Transfers	1,767	(75)	-	-	-	-	75	(1,767)	-	-	-	-
	(2,271)	(5,791)	(1,359)	(2,764)	(432)	(62)	(733)	(5,404)	(256)	(19,072)	-	(19,072)
At fair value 30 June 2020	411,585	27,566	82,839	239,260	27,073	6,255	46,925	20,292	12,396	874,191	15,857	890,048
Accumulated depreciation at 30 June 2020	(206,018)	(13,544)	(56,693)	(84,141)	(8,040)	(2,637)	(7,032)	(6,487)	(5,659)	(390,251)	-	(390,251)
	205,567	14,022	26,146	155,119	19,033	3,618	39,893	13,805	6,737	483,940	15,857	499,797

Notes to the Financial Report For the Year Ended 30 June 2020

Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date. Where assets are constructed by Council, cost includes all materials used in construction, direct labour, borrowing costs incurred during construction, and an appropriate share of directly attributable variable and fixed overheads.

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

	Depreciation Period	Threshold Limit \$'000
<i>Asset recognition thresholds and depreciation periods</i>		
Land & land improvements		
land	-	1
Buildings		
buildings	50 years	2,000
heritage buildings	150 years	2,000
Plant and Equipment		
heritage plant and equipment	-	1
plant, machinery and equipment	3 - 10 years	500
computers and telecommunications	3 - 5 years	1
furniture, fixtures and fittings	5 - 20 years	1,000
library books	5 years	1
Infrastructure		
roads - pavements, substructure, formation and earthworks	70 years	5,000
roads - kerb, channel and minor culverts and other	70 years	5,000
roads - surface	30 years	5,000
bridges - deck and substructure	50 - 100 years	5,000
footpaths and cycleways	30 years	5,000
drainage	50 - 100 years	2,000
recreational, leisure and community facilities	10 - 50 years	2,000
waste management	50 years	5,000
off street car parks	30 - 70 years	5,000
Other infrastructure	7 - 50 years	1,000
Parks openspace and streetscapes	10 - 50 years	1,000

Land under roads

Land under roads acquired after 30 June 2008 is brought to account using the cost method. The Council does not recognise land under roads that it controlled prior to that period in its financial report.

Depreciation and amortisation

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

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

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

Straight line depreciation is charged based on the residual useful life as determined each year.

Depreciation periods used are listed above and are consistent with the prior year unless otherwise stated.

Repairs and maintenance

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

**Notes to the Financial Report
For the Year Ended 30 June 2020**

Valuation of land and buildings

Valuation of land and buildings were undertaken by a qualified independent valuer Liam McNamara, AAPI, CPV, valuer registration no: 63119. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

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

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

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2020 are as follows:

	Level 1	Level2	Level 3	Date of Valuation
Specialised land	-	-	557,762	June 2020
Heritage Buildings	-	705	10,379	June 2020
Buildings	-	39,725	103,983	June 2020
Total	-	40,430	672,124	

Valuation of infrastructure

Valuation of infrastructure assets has been determined in accordance with a valuation undertaken by the Council's asset management team as at 30 June 2020, supervised by Matthew Irving B.Eng (Civil) based on current replacement cost less accumulated depreciation as at the date of valuation.

The dates of current valuations are detailed in the following table and the valuations were based on current supply unit rates.

The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2020 are as follows:

	Level 1	Level2	Level 3	Date of Valuation
Roads	-	-	205,567	June 2020
Bridges	-	-	14,022	June 2020
Off street car parks	-	-	13,805	June 2020
Footpaths and cycleways	-	-	26,146	June 2019
Drainage	-	-	155,119	June 2019
Recreational, leisure and community facilities	-	-	19,033	
Waste management	-	-	3,618	
Parks, open space and streetscapes	-	-	39,893	
Other infrastructure	-	-	6,737	
Total	-	-	483,940	

Notes to the Financial Report For the Year Ended 30 June 2020

Asset impairment and Covid-19

At the date of this report there are no indications of impairment from the Covid-19 pandemic for property, plant and equipment valuations. This may change with the continuing economic uncertainty. The market conditions created by Covid-19 were considered in the land and market value assessments of land and buildings. While uncertainty remains in the market there is less volatility in the market for land and buildings compared to financial markets in the short term. However, this has the capacity to change over a short period of time.

Infrastructure assets are valued by using unit cost rates from Council contracts. The unit rates are unlikely to change in the short term but may be subject to variability and contractor capacity with the continuation of Covid-19 restrictions.

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 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$5 and \$5,650 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 are calculated on a square metre basis and ranges from \$50 to \$20,000 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 0 years to 50 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 7 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	2020	2019
	\$'000	\$'000
Reconciliation of specialised land		
Community facilities	54,511	57,813
Parks and reserves	486,767	488,026
Other	16,484	20,054
Total specialised land	557,762	565,893

**Notes to the Financial Report
For the Year Ended 30 June 2020**

	2020 \$'000	2019 \$'000
6.3 Investment property		
Balance at beginning of financial year	13,404	13,404
Fair value adjustments	381	-
Balance at end of financial year	<u>13,785</u>	<u>13,404</u>

Investment property is held to generate long-term rental yields. Investment property is measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to the Council. Subsequent to initial recognition at cost, investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the comprehensive income statement in the period that they arise.

Council has provided rent relief to eligible tenants during 19/20 to provide financial support during the Covid-19 pandemic and this will continue into 20/21. This will increase their ability to negotiate the effects of the Covid-19 business downturn upon their activity. The valuation of investment property may be subject to future falls in value if the Covid-19 pandemic continues to reduce commercial economic activity.

Valuation of investment property

Valuation of investment property has been determined in accordance with an independent valuation by Liam McNamara, AAPI, CPV, valuer registration no: 63119 of Opteon Property Group who has recent experience in the location and category of the property being valued. The valuation is at fair value, based on the current market value for the property.

**Notes to the Financial Report
For the Year Ended 30 June 2020**

	2020 No.	2019 No.
Note 7 People and relationships		
7.1 Council and key management remuneration		
(a) Related Parties		
<i>Parent entity</i>		
Hobsons Bay City Council is the parent entity.		
(b) Key Management Personnel		
Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:		
Councillors		
Councillor Colleen Gates (Mayor 8 November 2019 to 30 June 2020)		
Councillor Jonathon Marsden (Mayor 1 July 2019 to 7 November 2019)		
Councillor Angela Altair		
Councillor Tony Briffa		
Councillor Michael Grech		
Councillor Peter Hemphill		
Councillor Sandra Wilson		
Chief Executive Officer Aaron van Egmond		
Director - Corporate Services Andrew McLeod		
Director - Infrastructure and City Services Sanjay Manivasagasivam		
Director - Sustainable Communities Penelope Winslade & Peter Hunt (1 July 2019 to 30 August 2019)		
Total Number of Councillors	7	7
Total of Chief Executive Officer and other Key Management Personnel	5	6
Total Number of Key Management Personnel	12	13
(c) Remuneration of Key Management Personnel	2020	2019
	\$	\$
Total remuneration of key management personnel was as follows:		
Short-term benefits	1,038	1,314
Post employment benefits	103	105
Long-term benefits	28	35
Termination benefits	-	-
Total	1,169	1,454
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:		
	2020	2019
	No.	No.
\$10,000 - \$19,999	1	-
\$20,000 - \$29,999	5	5
\$40,000 - \$49,999	1	1
\$60,000 - \$69,999	1	1
\$80,000 - \$89,999	-	1
\$90,000 - \$99,999	-	1
\$150,000 - \$159,999	-	1
\$190,000 - \$199,999	-	1
\$260,000 - \$269,999	1	-
\$270,000 - \$279,999	1	1
\$280,000 - \$289,999	1	-
\$350,000 - \$359,999	-	1
\$360,000 - \$369,999	1	-
	12	13

**Notes to the Financial Report
For the Year Ended 30 June 2020**

(d) Senior Officer Remuneration

A Senior Officer is an officer of Council, other than Key Management Personnel, who:

- a) has management responsibilities and reports directly to the Chief Executive; or
- b) whose total annual remuneration exceeds \$151,000

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

	2020	2019
Income Range:	No.	No.
\$151,000 - \$159,999	3	2
\$160,000 - \$169,999	4	6
\$170,000 - \$179,999	3	4
\$180,000 - \$189,999	6	2
\$190,000 - \$199,999	2	4
\$200,000 - \$209,999	1	-
\$210,000 - \$219,999	-	1
	19	19

Total Remuneration for the reporting year for Senior Officers included above, amounted to:

3,352 4,121

7.2 Related party disclosure

(a) Transactions with related parties

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

- -

(b) Outstanding balances with related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties

- -

(c) Loans to/from related parties

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

- -

(d) Commitments to/from related parties

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

- -

**Notes to the Financial Report
For the Year Ended 30 June 2020**

Note 8 Managing uncertainties

8.1 Contingent assets and liabilities

Operating lease receivables

The Council has entered into commercial property leases on its investment property, consisting of surplus freehold office complexes. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 24 years. All leases include a CPI based revision of the rental charge annually.

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

	2020	2019
	\$'000	\$'000
Not later than one year	1,985	2,069
Later than one year and not later than five years	7,122	7,324
Later than five years	11,288	12,908
	20,395	22,301

(b) Contingent 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.

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. It is not known if additional contributions will be required, their timing or potential amount.

Future superannuation contributions

In addition to the disclosed contributions, Hobsons Bay City Council has not paid unfunded liability payments to Vision Super during the 2019/20 year (2018/19 \$nil). There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2020. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2021 are \$200,000.

Insurance claims

Council has no major insurance claims that could have a material impact on future operations.

Legal matters

Council has no major legal matters that could have a material impact on future operations.

Building cladding

Council has no potential contingents that may exist in relation to rectification works or other matters associated with building cladding that may have the potential to adversely impact on Council.

(c) Guarantees for loans to other entities

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

	2020	2019
	\$'000	\$'000
Altona Sports Centre - Loan guarantee	1,500	1,500

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

**Notes to the Financial Report
For the Year Ended 30 June 2020**

8.2 Change in accounting standards

The following new AAS's have been issued that are not mandatory for the 30 June 2020 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

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

AASB 1059 addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor's perspective.

Based on the Council's current assessment, there is expected to be no impact on the transactions and balances recognised in the financial statements as the Council is not a grantor in a service concession arrangement.

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

The Standard principally amends AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. The impacts on the local government sector are expected to be minimal.

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

This Standard sets out amendments to Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the Conceptual Framework for Financial Reporting (Conceptual Framework) by the AASB. The impacts on the local government sector are expected to be minimal.

8.3 Financial instruments

(a) Objectives and policies

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

(b) Market risk

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

Interest rate risk

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

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

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

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

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

Notes to the Financial Report For the Year Ended 30 June 2020

(c) Credit risk

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

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

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

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

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

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

(d) Liquidity risk

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

To help reduce these risks Council:

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

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

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

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

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

(e) Sensitivity disclosure analysis

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

- A parallel shift of + .25% and -1.5% in market interest rates (AUD) from year-end rates of 1.24%.

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.

Notes to the Financial Report For the Year Ended 30 June 2020

8.4 Fair value measurement

Fair value hierarchy

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

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

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

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

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

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

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

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

Revaluation

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

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

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

Impairment of assets

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

8.5 Events occurring after balance date

With the exception of the Covid-19 pandemic no matters have occurred after balance date that require disclosure in the financial report.

The Covid-19 pandemic is likely to impact Council's future financial capacity. Council has provided a Community Support package in 2019/20 and continued support through the budget in 2020/21. This will impact Council's future capacity to operate at the same service level. The details of the effect of the Covid-19 pandemic is made in the overview section of the financial report.

**Notes to the Financial Report
For the Year Ended 30 June 2020**

Note 9 Other matters

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
9.1 Reserves			
(a) Asset revaluation reserves			
2020			
Property			
Land	468,789	(10,105)	458,684
Heritage buildings	952	(6,934)	(5,982)
Buildings	4,661	15,949	20,610
	474,402	(1,090)	473,312
Infrastructure			
Roads	157,167	-	157,167
Bridges	2,951	(4,309)	(1,358)
Drainage	75,442	2,050	77,492
Footpaths and cycleways	11,225	3,913	15,138
	246,785	1,654	248,439
Total asset revaluation reserves	721,187	564	721,751
2019			
Property			
Land and land improvements	468,789	-	468,789
Heritage buildings	952	-	952
Buildings	4,661	-	4,661
	474,402	-	474,402
Infrastructure			
Roads	158,733	(1,566)	157,167
Bridges	2,951	-	2,951
Footpaths and cycleways	12,564	(1,339)	11,225
Drainage	75,642	(200)	75,442
Offstreet car parks	-	-	-
	249,890	(3,105)	246,785
Total asset revaluation reserves	724,292	(3,105)	721,187

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

	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
(b) Other reserves				
2020				
Car Park reserve	222	-	-	222
Infrastructure reserve	20,154	3,255	-	23,409
Recreation land fund reserve	12,571	3,178	(5,191)	10,558
Street tree planting reserve	161	82	(107)	136
Capital works carryover reserve	16,732	1,619	(16,732)	1,619
Discretionary loan repayment reserve	8,125	1,525	-	9,650
Grants commission reserve	1,384	1,479	(1,384)	1,479
Port Phillip Woollen Mill reserve	412	94	(92)	414
Hobsons Bay Caravan Park reserve	92	-	-	92
Waste management sinking fund	4,689	-	(4,689)	-
Total Other reserves	64,542	11,232	(28,195)	47,579
2019				
Car Park reserve	222	-	-	222
Infrastructure reserve	20,604	150	(600)	20,154
Recreation land fund reserve	9,178	4,096	(703)	12,571
Street tree planting reserve	198	69	(106)	161
Capital works carryover reserve	6,947	18,497	(8,712)	16,732
Discretionary loan repayment reserve	6,600	1,525	-	8,125
Grants commission reserve	1,401	1,384	(1,401)	1,384
Port Phillip Woollen Mill reserve	166	271	(25)	412
Hobsons Bay Caravan Park reserve	-	92	-	92
Waste management sinking fund	4,561	360	(232)	4,689
Total Other reserves	49,877	26,444	(11,779)	64,542

**Notes to the Financial Report
For the Year Ended 30 June 2020**

	2020 \$'000	2019 \$'000
9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus for the year	23,329	27,654
Loss on disposal of property, infrastructure, plant and equipment	1,980	974
Depreciation/amortisation	20,915	18,626
Receivables impairment	524	549
Fair value adjustments for investment property	(381)	-
<i>Change in assets and liabilities:</i>		
Increase in trade and other receivables	(3,355)	(2,618)
(Increase)/decrease in prepayments	(85)	117
Increase/(decrease) in accrued income	203	(182)
Increase in trade and other payables	5,696	4,990
Increase in trust funds and deposits	937	1,031
Decrease in deferred income	(1,221)	-
(Increase)/decrease in inventories	1	(3)
Decrease in provisions	(703)	(278)
Net cash provided by operating activities	47,840	50,860

9.3 Superannuation

Hobsons Bay City Council (the Council) makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the fund are recognised as an expense in the Comprehensive Income Statement when they are made or due.

Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2020, this was 9.5% as required under Superannuation Guarantee (SG) legislation).

Defined Benefit

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

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

Funding arrangements

Council makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary.

As at 30 June 2019, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 107.1%. The financial assumptions used to calculate the VBIs were:

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

Vision Super has since advised that the estimated VBI at June 2020 was 104.6%.

The VBI at 30 June 2020 is subject to various assumptions which may be affected by a continuance of the economic downturn and the Covid-19 pandemic restrictions on business activity.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2019 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Employer contributions

Regular contributions

On the basis of the results of the 2017 full actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2020, this rate was 9.5% of members' salaries (9.5% in 2018/2019). This rate will increase in line with any increases in the SG contribution rate.

In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

Notes to the Financial Report For the Year Ended 30 June 2020

Funding calls

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall.

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up.

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

The 2019 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Hobsons Bay City Council is a contributing employer. Generally, a full actuarial investigation conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2019 and a full actuarial investigation was conducted as at 30 June 2017.

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

	2019	2018
	\$m	\$m
- A VBI Surplus	151.3	131.9
- A total service liability surplus	233.4	218.3
- A discounted accrued benefits surplus	256.7	249.1

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 2019.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2019.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2019.

Council was notified of the 30 June 2019 VBI during August 2019 (2018: August 2018).

The 2020 actuarial investigation

An actuarial investigation has been conducted for the Fund's position as at 30 June 2020 as the Fund provides lifetime pensions in the Defined Benefit category.

Contributions by Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2020 are detailed below:

Scheme	Type of Scheme	Rate	2020 \$'000	2019 \$'000
Vision super	Defined benefit	9.50%	207	301
Vision super	Accumulation fund	9.50%	1,926	2,280
Other funds	Accumulation funds	9.50%	1,726	1,814

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2020.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2020 is \$190,000.

**Notes to the Financial Report
For the Year Ended 30 June 2020**

9.4 Prior period adjustments

Council has been able to identify land and building assets not previously recognised. These errors have been corrected by restating each affected financial statement line item at 1 July 2019. As a result of historical data collection methods the value of land and buildings has been misstated.

The impact of each is set out in the table

	At 30 June 2019	Prior period adjustments	At 1 July 2019 as restated
	\$'000	\$'000	\$'000
Property, infrastructure, plant and equipment	1,204,325	2,329	1,206,654
Total non-current assets	<u>1,218,074</u>	<u>2,329</u>	<u>1,220,403</u>
Total assets	<u>1,316,755</u>	<u>2,329</u>	<u>1,319,084</u>
 Net assets	 <u>1,268,423</u>	 <u>2,329</u>	 <u>1,270,752</u>
 Equity			-
Accumulated surplus	482,695	2,329	485,024
Total Equity	<u>1,268,423</u>	<u>2,329</u>	<u>1,270,752</u>

**Notes to the Financial Report
For the Year Ended 30 June 2020**

10 Change in accounting policy

Council has adopted *AASB 15 Revenue from Contracts with Customers*, *AASB 16 Leases* and *AASB 1058 Income of Not-for-Profit Entities*, from 1 July 2019. This has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

Due to the transition methods chosen by Council in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards except in relation to contracts that were not complete at 1 July 2019. The transition impact of these are detailed below.

a) AASB 15 Revenue from Contracts with Customers - Impact of Adoption

AASB 15 Revenue from Contracts with Customers applies to revenue transactions where Council provides services or goods under contractual arrangements.

Council adopted *AASB 15 Revenue from Contracts with Customers* using the modified (cumulative catch up) method. Revenue for 2019 as reported under *AASB 118 Revenue* is not adjusted, because the new standard is only applied from the date of initial application.

AASB 15 Revenue from Contracts with Customers requires revenue from contracts with customers to be recognised as Council satisfies the performance obligations under the contract.

b) AASB 16 Leases

AASB 16 Leases requires right of use assets and related liabilities for all lease agreements to be recognised on the balance sheet. The Statement of Comprehensive Income is to separately recognise the amortisation of the right of use asset, and the finance costs relating to the lease. Council has elected to adopt the modified (cumulative catch up) method under the standard and as such has not adjusted 2019 disclosures. The transition impact of these are detailed below.

c) AASB 1058 Income of Not-for-Profit Entities

AASB 1058 Income of Not-for-Profit Entities applies to income received where no contract is in place. This includes statutory charges (such as rates) as well as most grant agreements.

Council adopted *AASB 1058 Income of Not-for-Profit Entities* using the modified (cumulative catch up) method. Income for 2019 is not adjusted, because the new standard is only applied from the date of initial application.

AASB 1058 Income of Not-for-Profit Entities requires income to be recognised as Council satisfies the performance obligations under the contract.

d) Transition impacts

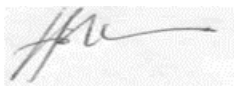
Council adopted the practical expedient of deeming the lease asset to be equal in value to the lease liability at 1 July 2019. As such there was no impact on retained earnings on the adoption of *AASB 16 Leases*.

The following table summarises the impacts of transition to the new standards on Council's balance sheet for the year ending 30 June 2019.

	As reported 30 June 2019 \$'000	Adjustments \$'000	Post adoption \$'000
Assets			
Right of use assets	-	1,987	1,987
	-	1,987	1,987
Liabilities			
Lease liability - current	-	933	933
Lease liability - non-current	-	1,054	1,054
	-	1,987	1,987

Certification of the Performance Statements

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



Hamish Munro, CPA

Principal Accounting Officer

Date : 11 September 2020

Altona

In our opinion the accompanying performance statement of the Hobsons Bay City Council for the year ended 30 June 2020 presents fairly the results of council's performance in accordance with the Local Government Act 1989 and the Local Government (Planning and Reporting) Regulations 2014.

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

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

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



Councillor Colleen Gates

Councillor

Date : 11 September 2020

Altona



Councillor Sandra Wilson

Councillor

Date : 11 September 2020

Altona



Aaron van Egmond

Chief Executive Officer

Date : 11 September 2020

Altona

Independent Auditor's Report

To the Councillors of Hobsons Bay City Council

Opinion	<p>I have audited the accompanying performance statement of Hobsons Bay City Council (the council) which comprises the:</p> <ul style="list-style-type: none"> • description of municipality for the year ended 30 June 2020 • sustainable capacity indicators for the year ended 30 June 2020 • service performance indicators for the year ended 30 June 2020 • financial performance indicators for the year ended 30 June 2020 • notes to the performance statement and • the certification of the performance statement. <p>In my opinion, the performance statement presents fairly, in all material respects, the performance of the council for the year ended 30 June 2020 in accordance with the performance reporting requirements of Part 6 of the <i>Local Government Act 1989</i>.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the performance statement</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. I and my staff are independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the performance statement in Victoria and have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Councillors' responsibilities for the performance statement	<p>The Councillors is responsible for the preparation and fair presentation of the performance statement in accordance with the performance reporting requirements of the <i>Local Government Act 1989</i> and for such internal control as the Councillors determines is necessary to enable the preparation and fair presentation of the statement of performance that is free from material misstatement, whether due to fraud or error.</p>
Auditor's responsibilities for the audit of the performance statement	<p>As required by the <i>Audit Act 1994</i>, my responsibility is to express an opinion on the performance statement based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the performance statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Standards on Assurance</p>

Engagements will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of this performance statement.

As part of an audit in accordance with the Australian Standards on Assurance Engagements, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of performance statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the council's internal control
- evaluate the overall presentation, structure and content of the performance statement, including the disclosures, and whether performance statement represents the underlying events and results in a manner that achieves fair presentation.

I communicate with the Councillors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
23 September 2020



Sanchu Chummar

as delegate for the Auditor-General of Victoria

Performance Statement

For the year ended 30 June 2020

Hobsons Bay is situated at the northern end of Port Phillip Bay, about 10km west of central Melbourne and includes the suburbs of Altona, Altona Meadows, Altona North, Brooklyn, Laverton, Newport, Seabrook, Seaholme, South Kingsville, Spotswood, Williamstown and Williamstown North. Each suburb has its own unique character, from the historic seaport of Williamstown with its range of heritage buildings, to the more recently developed residential areas of Altona Meadows and Seabrook. Hobsons Bay also has a range of major industrial complexes, which contribute significantly to the economy of Victoria.

It covers an area of approximately 66 square kilometres with over 20 kms of coastline. It is also home to significant coastal wetlands, five creek systems, remnant native grasslands, and important flora and fauna habitats, which makes up 24 per cent of the city's total land area.

The city is located between seven and 20 kilometres from the CBD and has good access to regional transport facilities such as the West Gate Freeway, the Western Ring Road, CityLink, the National Rail Line, together with the ports and airports of Melbourne and Avalon.

In 2019, Hobsons Bay had an estimated resident population of 97,751 people, which is forecast to increase to 114,426 by 2030. Thirty per cent of our residents are born overseas, speaking over 100 different languages and practising over 90 faiths.

These features contribute to the City's culture, which is strongly linked to its maritime heritage, rich natural environment, industry and lifestyle.

COVID-19 Pandemic

On 30 January 2020, COVID-19 was declared as a global pandemic by World Health Organisation. Since then, various measures have been taken by all levels of Government in Australia to reduce the spread of COVID-19. This crisis and measures taken to mitigate it has impacted council operations in the following areas for the financial year ended 30 June 2020:

In response to government directives amidst the COVID-19 outbreak, Council facilities, libraries, community centres and halls were closed to the community which has resulted in a decrease in Council User fee revenue.

User fees were also impacted by the downturn in the market and the refund of fees as part of the Community support package which included food premises registration (\$414,000) and footpath trading permits (\$122,000).

Council provided a full rental rebate and refunds to eligible business tenants in rent agreements from 1 April 2020 to 30 June 2020 which reduced rent revenue within Other income (\$316,000).

Statutory fees and fines were impacted by the market downturn from the pandemic and the refund of fees and charges as part of Council's Community Support Package (\$593,000).

Council revised its Hardship Policy in response to the crisis on 23 June 2020. This is expected to result in an increase in the deferment of rates, fees, charges and rentals. Council has a net \$16,000 reduction in rate interest from the deferment of interest to date.

The financial impact of the deferral of rates revenue has contributed to the rates debtor balance as at 30 June 2020 to increase by \$1.734 million compared to last year - refer to Note 5.1 (c).

Subsequent events

Since 30 June 2020 there have been Covid-19 developments including an increase in transmission and the introduction of stage 4 restrictions from 2 August 2020 further impacting local socio-economic activity.

This will have an impact on service delivery, revenues, add additional expenses to the delivery of Council services and programs. The full effect is difficult to estimate due to the uncertainty and continuation of the Covid-19 pandemic.

A further Community Support Package has been included in the Annual Budget 2020-21 which provides an estimated \$5.2 million to provide support to businesses, community organisations and the community affected by the Covid-19 pandemic. This includes approximately \$2.2 million in rate adjustments (rebate), \$1.965 million dedicated to business and economic recovery and nearly \$943,000 invested into local community recovery.

The \$2.2 million rate adjustment package includes an adjustment to each property type of :- \$20 for residential, \$60 for cultural and recreational, \$200 for eligible commercial and \$915 for eligible industrial.

The business and economic recovery package of \$1.965 million includes rebates for Food Safety registrations (\$595,000), Footpath trading permits (\$150,000), Health registrations (\$63,000) and planning fees (\$177,000) commercial rental relief (\$210,000), Nelson Place, Williamstown parking fee suspension to December 2020 (\$520,000) and business precinct support campaign (\$250,00).

The community recovery package includes Covid-19 recovery community grants (\$500,000), local connections program (\$100,000), venue and facility use (\$132,000), sports recovery program (\$152,000) and access to technology (\$60,000).

Sustainable Capacity Indicators

For the year ended 30 June 2020

<i>Indicator / measure</i>	Results 2017	Results 2018	Results 2019	Results 2020	Comments
Population					
<i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$1,209.64	\$1,300.43	\$1,240.29	\$1,275.25	The increase in 2019-20 is in-line with additional expenditure after a reduction was achieved in 2018-19.
<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$5,606.40	\$6,623.13	\$6,617.93	\$7,065.66	The increasing trend, including the significant increase to this indicator in 2019-20, is in-line with Council's commitment to increase its capital works program.
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	216.19	219.87	223.64	226.59	There are minimal changes to this indicator due to generally consistent road lengths and a slowly increasing population.
Own-source revenue					
<i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$1,241.27	\$1,299.73	\$1,288.47	\$1,266.77	The reduction in this indicator reflects the drop in own-source revenue, including Council's reimbursement of fees through its COVID-19 Community Support Packages.
Recurrent grants					
<i>Recurrent grants per head of municipal population</i>	\$149.69	\$140.30	\$133.64	\$140.83	The increase in 2019-20 is in-line with the increase in operating recurrent grants after a reduction in 2018-19.

<i>Indicator / measure</i>	Results 2017	Results 2018	Results 2019	Results 2020	Comments
[Recurrent grants / Municipal population] Disadvantage <i>Relative Socio-Economic Disadvantage</i> [Index of Relative Socio-Economic Disadvantage by decile]	7.00	7.00	7.00	7.00	Socio-Economic Disadvantage indicator remains consistent.
Workforce turnover <i>Percentage of staff turnover</i> [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	11.3%	13.6%	28.7%	15.3%	The turnover rate has returned to normal levels in 2019-20 after the significant increase during 2018-19 as a result of the transfer of home care staff to a third-party service provider.

Definitions

"adjusted underlying revenue" means total income other than:

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

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

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

"population" means the resident population estimated by council

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

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

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

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

Service Performance Indicators

For the year ended 30 June 2020

Service/indicator/measure	Results 2017	Results 2018	Results 2019	Results 2020	Comments
Aquatic Facilities					
Utilisation					
Utilisation of aquatic facilities [Number of visits to aquatic facilities / Municipal population]	0.00	0.00	0.00	0.00	Council does not have operational control of the aquatic facilities in its municipality and therefore the indicators are not reported on.
Animal Management					
Health and safety					
Animal management prosecutions [Number of successful animal management prosecutions]	New in 2020	New in 2020	New in 2020	94%	32 prosecutions on hold. Adjournments are due to COVID-19. Council conducts thorough investigations with an aim to resolve matters outside court where possible and where prosecution takes place that strong evidence ensures success.
Food Safety					
Health and safety					
Critical and major non-compliance outcome notifications [Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises] x100	90.32%	92.47%	90.95%	81.70%	Staff resource shortages contributed to the decrease in the number of follow-up inspections for major and critical outcomes.
Governance					
Satisfaction					
Satisfaction with council decisions [Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]	64.00	64.00	63.00	58.00	As reported in the 2020 Annual Community Survey one in four (25%) of the residents were dissatisfied with the Council making decisions in the interest of the community. Waste and recycling services was the main reason for 39% of those respondents to be dissatisfied. In February 2020, Council implemented significant reform in its waste and recycling service.
Libraries					
Participation					
Active library borrowers in municipality [Number of active library borrowers in the last three years / The sum of the population for the last three years] x100	19.15%	18.80%	20.36%	19.46%	No substantial reduction in active borrower numbers despite temporary branch closures and social distancing requirements.
Maternal and Child Health (MCH)					
Participation					
Participation in the MCH service	72.47%	74.42%	73.21%	72.94%	Council's MCH service has practices in place to ensure all families are contacted and reminded to attend the Key Age and Stage visit (KAS). Due to the COVID-19 pandemic, there were many more telehealth and additional consultations, which were not calculated in these numbers. All KAS continued either via

Service/indicator/measure	Results 2017	Results 2018	Results 2019	Results 2020	Comments
<p>[Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100</p> <p>Participation</p> <p><i>Participation in the MCH service by Aboriginal children</i></p> <p>[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</p>	60.20%	75.00%	62.50%	71.88%	<p>telehealth or face to face. There were additional nursing hours worked to support the alternative modes of service delivery.</p> <p>Hobsons Bay has only a small number of known Aboriginal families. This past year, more emphasis was placed on MCH providing a service that was flexible and culturally safe with the aim of supporting families to access and remain engaged.</p>
<p>Roads</p> <p>Satisfaction</p> <p><i>Satisfaction with sealed local roads</i></p> <p>[Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]</p>	69.00	62.00	63.00	56.00	<p>The ratings from the residents in Spotswood, South Kingsville and Newport areas have driven the drop in the overall satisfaction rating with sealed local roads. Council is committed to continuously improve this.</p>
<p>Statutory Planning</p> <p>Decision making</p> <p><i>Council planning decisions upheld at VCAT</i></p> <p>[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</p>	50.00%	70.69%	53.06%	61.54%	<p>The result is typical for the last few years and consistent with the State average. There has been no significant change in policy over this period that would explain the number of decisions set aside by VCAT. Council continues to work towards implementing a number of new policies including an updated Neighbourhood Character Study, Housing Strategy and Activity Centre Strategy which will see updates in the Planning Scheme including the application of the residential zones. This will provide greater guidance to applicants, Council and VCAT when making decisions.</p>

Service/indicator/measure	Results 2017	Results 2018	Results 2019	Results 2020	Comments
Waste Collection					There has been significant change during 2019-20 resulting in a decline in diversion at the beginning of the year and increase towards the end. Following the collapse of SKM Recycling early in the financial year, some recyclables were landfilled due to the lack of processing capacity available. In February 2020, Council implemented significant reform in its waste and recycling service implementing a weekly food and green waste service, fortnightly garbage service, four weekly glass service and retaining its fortnightly recycling collection. The data captures the tonnes collected and diverted in the glass collection service as a compulsory recycling service. The implementation of the food and green waste system and changes in collection schedules have led to a significant increase in tonnes of organics diverted from landfill since February 2020. The COVID-19 pandemic has substantially impacted household waste volumes, with more people at home generating waste for their kerbside bins. This has amplified pressure on garbage bins. Council has responded to this challenge by offering a weekly Saturday garbage drop-off for two months, and by rolling out a free 240L garbage bin upsizing program for eligible households.
Waste diversion					
<i>Kerbside collection waste diverted from landfill</i>	47.89%	46.33%	40.84%	45.37%	
[Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100					

Definitions

"Aboriginal child" means a child who is an Aboriginal person
"Aboriginal person" has the same meaning as in the Aboriginal Heritage Act 2006
"active library member" means a member of a library who has borrowed a book from the library
"annual report" means an annual report prepared by a council under sections 131, 132 and 133 of the Act
"CALD" means culturally and linguistically diverse and refers to persons born outside Australia in a country whose national language is not English
"class 1 food premises" means food premises, within the meaning of the *Food Act 1984*, that have been declared as class 1 food premises under section 19C of that Act
"class 2 food premises" means food premises, within the meaning of the *Food Act 1984*, that have been declared as class 2 food premises under section 19C of that Act
"Community Care Common Standards" means the Community Care Common Standards for the delivery of HACC services, published from time to time by the Commonwealth
"critical non-compliance outcome notification" means a notification received by council under section 19N(3) or (4) of the *Food Act 1984*, or advice given to council by an authorized officer under that Act, of a deficiency that poses an immediate serious threat to public health
"food premises" has the same meaning as in the *Food Act 1984*
"HACC program" means the Home and Community Care program established under the Agreement entered into for the purpose of the Home and Community Care Act 1985 of the Commonwealth
"HACC service" means home help, personal care or community respite provided under the HACC program
"local road" means a sealed or unsealed road for which the council is the responsible road authority under the *Road Management Act 2004*
"major non-compliance outcome notification" means a notification received by a council under section 19N(3) or (4) of the *Food Act 1984*, or advice given to council by an authorized officer under that Act, of a deficiency that does not pose an immediate serious threat to public health but may do so if no remedial action is taken
"MCH" means the Maternal and Child Health Service provided by a council to support the health and development of children within the municipality from birth until school age
"population" means the resident population estimated by council
"target population" has the same meaning as in the Agreement entered into for the purposes of the Home and Community Care Act 1985 of the Commonwealth
"WorkSafe reportable aquatic facility safety incident" means an incident relating to a council aquatic facility that is required to be notified to the Victorian WorkCover Authority under Part 5 of the *Occupational Health and Safety Act*

Financial Performance Indicators

For the year ended 30 June 2020

Dimension/indicator/measure	Results 2017	Results 2018	Results 2019	Results 2020	Forecasts 2021 2022 2023 2024				Material Variations and Comments
Efficiency Expenditure level									
<i>Expenses per property assessment</i>	\$2,785.75	\$2,957.28	\$2,828.70	\$2,927.72	\$3,064.45	\$2,815.61	\$2,893.10	\$2,967.06	The increase in 2019-20 is consistent with the increase in expenses during the financial year. A further increase is expected in 2020-21, consistent with additional expenditure funded through the Working for Victoria program. A decrease is expected in 2021-22 after the program finishes. The number of property assessments continues to increase gradually and reasonably consistently.
Workforce turnover <i>Resignations and terminations compared to average staff [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100</i>	11.32%	13.60%	28.65%	Indicator retired	Indicator retired	Indicator retired	Indicator retired	Indicator retired	Indicator retired 2019.
Revenue level <i>Average rate per property assessment</i>	New in 2020	New in 2020	New in 2020	\$2,371.57	\$2,415.22	\$2,460.84	\$2,507.17	\$2,554.19	The result in 2019-20 and the forecasts for future years reflect increases to rates consistent with the current rate cap. The increased forecasts for rates are compared against consistent property values (due to the uncertainty moving forward) leading to increased measures in later years.
[General rates and Municipal charges / Number of property assessments]									
<i>Average residential rate per residential property assessment</i>	\$1,770.62	\$1,778.97	\$1,935.15	Indicator retired	Indicator retired	Indicator retired	Indicator retired	Indicator retired	Indicator retired 2019.
[Residential rate revenue / Number of residential property assessments]									
Liquidity Working capital <i>Current assets compared to current liabilities</i>	215.69%	271.82%	295.64%	208.57%	130.38%	107.70%	108.80%	122.07%	The decrease in 2019-20 is consistent with the decreased

Dimension/ <i>indicator/measure</i>	Results	Results	Results	Results	Forecasts				Material Variations and Comments
	2017	2018	2019	2020	2021	2022	2023	2024	
<p>[Current assets / Current liabilities] x100</p> <p>Unrestricted cash</p>									<p>level of cash at year end compared to the prior year. This trend is expected to continue as Council continues to use its cash reserves to fund its significant increase in capital works and the repayment of loan principal.</p>
<p><i>Unrestricted cash compared to current liabilities</i></p>	-38.11%	-69.90%	-108.78%	-40.13%	-27.76%	-27.25%	-38.39%	-44.58%	<p>The negative results since 2016-17 are offset by other financial assets (investments) of \$69 million in 2019-20, which are investments held for periods over 90 days. These investments are not included in the unrestricted cash figure, but they are used to fund Council's ongoing operations and liabilities.</p>
<p>[Unrestricted cash / Current liabilities] x100</p>									
<p>Obligations</p>									
<p><i>Asset renewal</i></p> <p><i>Asset renewal compared to depreciation</i></p> <p>[Asset renewal expense / Asset depreciation] x100</p>	102.15%	72.63%	123.53%	Indicator retired	Indicator retired	Indicator retired	Indicator retired	Indicator retired	Indicator retired 2019.
<p>Loans and borrowings</p>									
<p><i>Loans and borrowings compared to rates</i></p>	14.36%	13.76%	13.15%	12.71%	12.67%	4.24%	4.12%	4.01%	<p>Council existing loans are held as part of two Local Government Funding Vehicle (LGFV) interest only bonds and this is reflected in the consistent indicators between 2016-17 and 2020-21. The indicator is forecast to reduce in 2021-22 as \$9.2 million will be repaid that year.</p>
<p>[Interest bearing loans and borrowings / Rate revenue] x100</p>									
<p><i>Loans and borrowings repayments compared to rates</i></p>	0.63%	0.61%	0.58%	0.56%	0.56%	8.11%	0.16%	0.16%	<p>Council has paid interest only on its Local Government Funding Vehicle loans since 2016-17, resulting in the extremely low indicators. The forecast increase to the indicator in 2021-22 reflects the bullet principal repayment that year.</p>
<p>[Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100</p> <p>Indebtedness</p>									

Dimension/indicator/measure	Results	Results	Results	Results	Forecasts				Material Variations and Comments
	2017	2018	2019	2020	2021	2022	2023	2024	
<i>Non-current liabilities compared to own source revenue</i> [Non-current liabilities / Own source revenue] x100 Asset renewal and upgrade <i>Asset renewal and upgrade compared to depreciation</i> [Asset renewal and asset upgrade expense / Asset depreciation] x100	12.96%	12.16%	12.03%	12.49%	4.74%	4.44%	4.35%	4.25%	<p>The indicator has remained consistent since 2015-16, minimally impacted by own source revenue. The indicator is forecast to reduce significantly in 2020-21, when \$9.2 million worth of borrowings is regarded as a current liability, the year before it is due to be repaid.</p> <p>The 2019-20 indicator reflects Council's significant investment in capital works. Whilst it is forecast to reduce in future years, the indicator remains relatively high, consistent with Council's ongoing commitment to capital works.</p>
Operating position Adjusted underlying result <i>Adjusted underlying surplus (or deficit)</i>									
	15.89%	12.78%	15.88%	11.56%	7.99%	16.72%	17.35%	18.08%	<p>The decrease in 2019-20 is consistent with the reduction in the operational surplus, which has been impacted by COVID-19. The indicator is expected to reduce further in 2020-21 reflecting the</p>

Dimension/ <i>indicator/measure</i>	Results	Results	Results	Results	Forecasts				Material Variations and Comments
	2017	2018	2019	2020	2021	2022	2023	2024	
[Adjusted underlying surplus (deficit)/ Adjusted underlying revenue] x100									assistance Council will continue to provide through its COVID-19 Community Support Packages. It is forecast that the indicator will increase significantly in 2021-22 and remain reasonably consistent there-after.
Stability									
Rates concentration									
<i>Rates compared to adjusted underlying revenue</i>	73.62%	72.85%	75.90%	79.29%	78.47%	80.85%	80.04%	79.17%	This indicator continues to gradually increase as a result of rate income (including supplementary growth) increasing at a greater rate than other own-source revenue. There is a slight decrease forecast in 2020-21, reflecting Council's decision to provide assistance to ratepayers through a COVID-19 rate adjustment.
[Rate revenue / Adjusted underlying revenue] x100									
Rates effort									
<i>Rates compared to property values</i>	0.35%	0.36%	0.29%	0.30%	0.31%	0.32%	0.33%	0.34%	Rates compared to property values increased slightly in 2019-20 due to a slight decrease in property values during the 2019 revaluation. Future forecasts are based on consistent property values due to the uncertainty moving forward.
[Rate revenue / Capital improved value of rateable properties in the municipality] x100									

Definitions

"adjusted underlying revenue" means total income other than:

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

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

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

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

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

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

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

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

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

"population" means the resident population estimated by council

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

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

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

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

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

Other Information

For the year ended 30 June 2020

1. Basis of preparation

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

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

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

The forecast figures included in the performance statement are those adopted by Council in its strategic resource plan on 18 August 2020 and which forms part of the council plan. The strategic resource plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The strategic resource plan can be obtained by contacting Council.



Hobsons Bay City Council

115 Civic Parade, Altona
PO Box 21, Altona 3018
Phone 1300 179 944
Fax (03) 9932 1090
NRS phone 133 677 and quote 03 9932 1000
Email customerservice@hobsonsbay.vic.gov.au

 [www.twitter.com/HobsonsBayCC](https://twitter.com/HobsonsBayCC)

 www.facebook.com/HobsonsBayCityCouncil

 www.hobsonsbay.vic.gov.au



9932 1212

INTERPRETER SERVICE FOR ALL LANGUAGES

Your Council in your language

Recorded Council information in:

English	العربية	Ελληνικά
Italiano	ကဗိုလ်	Tiếng Việt
粵語	Македонски	普通话

You can view a hard copy of this report at the Hobsons Bay Civic Centre or at any of Council's library branches. Additional copies or a copy of the report in an alternative format are available by:

- downloading a copy from Council's website
www.hobsonsbay.vic.gov.au
- requesting a copy by email to
customerservice@hobsonsbay.vic.gov.au
- a limited number of printed copies are also available, if you would like a printed copy please phone 1300 179 944