



**Annual  
Financial  
Report**  
Hobsons Bay  
City Council

2018–19

**HOBSONS  
BAY CITY  
COUNCIL**





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## Certification of the Financial Statements

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



Harish Munro, CPA  
**Principal Accounting Officer**  
Date : 17 September 2019  
Altona

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

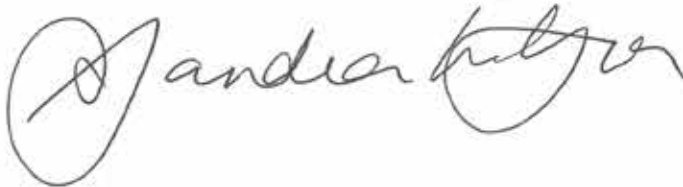
As at the date of signing, we are not aware of any circumstances that would render any particulars in the financial statements to be misleading or inaccurate.

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 Jonathon Marsden  
**Mayor**  
Date : 17 September 2019  
Altona



Councillor Sandra Wilson  
**Councillor**  
Date : 17 September 2019  
Altona



Aaron van Egmond  
**Chief Executive Officer**  
Date : 17 September 2019  
Altona





# Independent Auditor's Report

## To the Councillors of Hobsons Bay City Council

<b>Opinion</b>	<p>I have audited the financial report of Hobsons Bay City Council (the council) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2019</li> <li>• comprehensive income statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• statement of cash flows for the year then ended</li> <li>• statement of capital works for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• certification of the financial statements.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the council as at 30 June 2019 and its 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>
<b>Basis for Opinion</b>	<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 <i>APES 110 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>
<b>Councillors' responsibilities for the financial report</b>	<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**

As required by the *Audit Act 1994*, 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.

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:

- 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.

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  
20 September 2019



Jonathan Kyvelidis  
as delegate for the Auditor-General of Victoria



## Comprehensive Income Statement For the Year Ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
<b>Income</b>			
Rates and charges	3.1	107,961	103,165
Statutory fees and fines	3.2	5,295	4,943
User fees	3.3	6,351	6,909
Grants - operating	3.4 (a)	12,750	12,659
Grants - capital	3.4 (b)	5,585	2,750
Contributions - monetary	3.5	4,671	5,330
Fair value adjustments for investment property	6.3	-	3,804
Other income	3.7	4,692	4,632
<b>Total income</b>		<b>147,305</b>	<b>144,192</b>
<b>Expenses</b>			
Employee costs	4.1	55,850	54,753
Materials and services	4.2	41,561	41,280
Depreciation and amortisation	4.3	18,626	24,555
Bad and doubtful debts	4.4	576	331
Borrowing costs	4.5	627	626
Net loss on disposal of property, infrastructure, plant and equipment	3.6	974	485
Other expenses	4.6	1,437	1,489
<b>Total expenses</b>		<b>119,651</b>	<b>123,519</b>
<b>Surplus for the year</b>		<b>27,654</b>	<b>20,673</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to surplus or deficit in future periods</b>			
Net asset revaluation increment/(decrement)	6.2	(3,105)	115,147
<b>Total comprehensive result</b>		<b>24,549</b>	<b>135,820</b>

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



**Balance Sheet**  
**As at 30 June 2019**

	Note	2019 \$'000	2018 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5.1 (a)	1,218	2,714
Trade and other receivables	5.1 (c)	10,633	8,638
Other financial assets	5.1 (b)	85,357	67,000
Inventories	5.2 (a)	30	27
Non-current assets classified as held for sale	6.1	-	147
Other assets	5.2 (b)	1,443	1,378
<b>Total current assets</b>		<b>98,681</b>	<b>79,904</b>
<b>Non-current assets</b>			
Trade and other receivables	5.1 (c)	345	271
Property, infrastructure, plant and equipment	6.2	1,204,325	1,194,342
Investment property	6.3	13,404	13,404
Other financial assets	6.4	-	230
<b>Total non-current assets</b>		<b>1,218,074</b>	<b>1,208,247</b>
<b>Total assets</b>		<b>1,316,755</b>	<b>1,288,151</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	5.3 (a)	13,848	10,582
Trust funds and deposits	5.3 (b)	7,141	6,201
Provisions	5.5	12,390	12,613
<b>Total current liabilities</b>		<b>33,379</b>	<b>29,396</b>
<b>Non-current liabilities</b>			
Provisions	5.5	753	808
Interest-bearing liabilities	5.4	14,200	14,200
<b>Total non-current liabilities</b>		<b>14,953</b>	<b>15,008</b>
<b>Total liabilities</b>		<b>48,332</b>	<b>44,404</b>
<b>Net assets</b>		<b>1,268,423</b>	<b>1,243,747</b>
<b>Equity</b>			
Accumulated surplus		482,695	469,579
Reserves	9.1	785,728	774,168
<b>Total Equity</b>		<b>1,268,423</b>	<b>1,243,747</b>



## Statement of Changes in Equity For the Year Ended 30 June 2019

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

		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
<b>2018</b>					
Balance at beginning of the financial year		1,043,284	396,873	609,144	37,267
Prior period adjustments*		64,643	64,643	-	-
Balance at beginning of the financial year as restated		1,107,927	461,516	609,144	37,267
Surplus for the year		20,673	20,673	-	-
Net asset revaluation increment/(decrement)	6.2	115,147	-	115,147	-
Transfers to other reserves	9.1 (b)	-	(20,435)	-	20,435
Transfers from other reserves	9.1 (b)	-	7,825	-	(7,825)
<b>Balance at end of the financial year</b>		<b>1,243,747</b>	<b>469,579</b>	<b>724,291</b>	<b>49,877</b>

\*Council has restated the Statement of changes in Equity to correct prior period adjustments.



## Statement of Cash Flows For the Year Ended 30 June 2019

		2019 Inflows/ (Outflows) \$'000	2018 Inflows/ (Outflows) \$'000
	Note		
<b>Cash flows from operating activities</b>			
Rates and charges		106,624	102,934
Statutory fees and fines		4,541	4,455
User fees		6,766	7,764
Grants - operating		12,750	12,659
Grants - capital		7,515	2,750
Contributions - monetary		4,671	5,330
Interest received		1,847	1,578
Trust funds and deposits taken		2,258	1,605
Other receipts		2,867	3,374
Net GST refund/payment		6,824	6,511
Employee costs		(56,128)	(54,596)
Materials and services		(48,455)	(50,472)
Trust funds and deposits repaid		(1,220)	(862)
<b>Net cash provided by operating activities</b>		<b>50,860</b>	<b>43,030</b>
<b>Cash flows from investing activities</b>			
Payments for property, infrastructure, plant and equipment	6.2	(34,089)	(32,240)
Proceeds from sale of property, infrastructure, plant and equipment		360	180
Payments for investments		(18,000)	(12,000)
<b>Net cash used in investing activities</b>		<b>(51,729)</b>	<b>(44,060)</b>
<b>Cash flows from financing activities</b>			
Finance costs		(627)	(626)
<b>Net cash used in financing activities</b>		<b>(627)</b>	<b>(626)</b>
Net decrease in cash and cash equivalents		(1,496)	(1,656)
Cash and cash equivalents at the beginning of the financial year		2,714	4,370
<b>Cash and cash equivalents at the end of the financial year</b>		<b>1,218</b>	<b>2,714</b>
Financing arrangements	5.6		
Restrictions on cash assets	5.1		



## Statement of Capital Works For the Year Ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
<b>Property</b>			
Land		643	-
<b>Total land</b>		643	-
Buildings		7,550	8,799
Heritage buildings		1,560	429
<b>Total buildings</b>		9,110	9,228
<b>Total property</b>		9,753	9,228
<b>Plant and equipment</b>			
Heritage plant and equipment		51	30
Plant, machinery and equipment		1,321	1,169
Fixtures, fittings and furniture		1,718	220
Computers and telecommunications		693	457
Library books		739	630
<b>Total plant and equipment</b>		4,522	2,506
<b>Infrastructure</b>			
Roads		5,254	4,748
Bridges		50	58
Footpaths and cycleways		2,462	2,664
Drainage		2,424	2,459
Recreational, leisure and community facilities		2,018	1,479
Waste management		266	-
Parks, open space and streetscapes		4,824	5,117
Off street car parks		775	948
Other infrastructure		552	192
<b>Total infrastructure</b>		18,625	17,665
<b>Total capital works expenditure</b>		32,900	29,399
<b>Represented by:</b>			
New asset expenditure		7,257	5,379
Asset renewal expenditure		23,010	17,832
Asset upgrade expenditure		2,633	6,188
<b>Total capital works expenditure</b>		32,900	29,399



## 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); and
- other areas requiring judgements.

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



## Note 1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 10 percent or 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.

The budget figures detailed below are those adopted by Council on 26 June 2018. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

### 1.1 Income and expenditure

	Budget 2019 \$'000	Actual 2019 \$'000	Variance 2019 \$'000	Variance %	Ref
<b>Income</b>					
Rates and charges	107,638	107,961	323	0.3%	
Statutory fees and fines	4,803	5,295	492	10.2%	1
User fees	6,003	6,351	348	5.8%	
Grants - operating	11,211	12,750	1,539	13.7%	2
Grants - capital	1,940	5,585	3,645	187.9%	3
Contributions - monetary	3,170	4,671	1,501	47.4%	4
Net gain on disposal of property, plant and equipment	100	-	(100)	(100.0%)	5
Other income	3,747	4,692	945	25.2%	6
<b>Total income</b>	<b>138,612</b>	<b>147,305</b>	<b>8,693</b>	<b>6.3%</b>	
<b>Expenses</b>					
Employee costs	58,564	55,850	2,714	4.6%	7
Materials and services	41,824	41,561	263	0.6%	
Depreciation and amortisation	18,859	18,626	233	1.2%	
Bad and doubtful debts	173	576	(403)	(232.9%)	8
Borrowing costs	626	627	(1)	(0.2%)	
Net gain on disposal of property, plant and equipment	-	974	(974)	0.0%	5
Other expenses	1,554	1,437	117	7.5%	
<b>Total expenses</b>	<b>121,600</b>	<b>119,651</b>	<b>1,949</b>	<b>1.6%</b>	
<b>Surplus/(deficit) for the year</b>	<b>17,012</b>	<b>27,654</b>	<b>10,642</b>	<b>62.6%</b>	



(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Statutory fees and fines	<p>Statutory fees and fines were \$492,000 over budget. The main increase relates to parking fines which is offset by bad and doubtful debts mentioned below (\$786,000), animal registration (\$122,000) and town planning enforcement (\$58,000).</p> <p>The most significant reductions relate to town planning application fees (\$380,000) and road management act fees (\$40,000).</p>
2	Grants - operating	<p>Operating grants were \$1.539 million over budget. Additional Victorian Grants Commission funding was received for the advance payment of half the 2019-20 grant (\$1.326 million).</p> <p>Additional funding includes Commonwealth home support services – over 65 funding (\$124,000), new funding for social housing planning (\$112,000), preventing violence (\$72,000), conservation management (\$62,000), preschool access and support (\$50,000) and enhanced maternal and child health programs including funding for family violence training (\$50,000).</p> <p>The most significant reductions relate to the Westgate tunnel and crossing removal projects (\$198,000), the Altona boat ramp (\$50,000) and the school youth focused services grant which was reduced to align with expenditure in prior years (\$50,000).</p>
3	Grants - capital	<p>Capital grants were over budget by \$3.645 million mainly due to the early receipt of funding for the Altona Sports Centre extension (\$1.8 million), sports facilities and grounds (\$1.696 million), traffic management (\$85,000) and Kororoit Creek development (\$65,000).</p> <p>The most significant reduction relates to foreshore remedial funding (\$80,000).</p>
4	Contributions - monetary	<p>Monetary contributions were \$1.501 million over budget. The most significant increases relate to open space contributions for two industrial property subdivisions, which has been transferred to the recreational land fund reserve and set aside for future capital works (\$1.096 million). Other increases include Port Phillips Woollen Mills (\$171,000), capital contributions (\$143,000) and Hobsons Bay caravan park contributions (\$92,000).</p>
5	Net loss on disposal of property, infrastructure, plant and equipment	<p>The net loss on disposal of property, infrastructure, plant and equipment of \$975,000 occurred as a result of the 'disposal' of road surface, footpaths and cycleways as these assets are replaced or renewed. This is the first time that Council has applied this accounting treatment, which has minimal impact on the long term financial plan.</p>
6	Other income	<p>Other income was over budget by \$945,000 as a result of higher interest on investments – due to higher cash reserves (\$662,000) and increased rental income (\$279,000).</p>
7	Employee costs	<p>Employee costs were under budget by \$2.714 million. The most significant decreases relate to a review of new positions initially included within the 2018-19 budget (\$1.169 million).</p> <p>Other employee costs under budget include annual leave (\$948,000) and long service leave (\$505,000) as a result of vacancies, staff turnover and reductions in anticipated pay increases used to project future leave commitments which also impacted WorkCover insurance (\$285,000).</p> <p>The most significant increases relate to parental leave (\$118,000) and redundancies for community care and family day care (\$103,000).</p>
8	Bad and doubtful debts	<p>Bad and doubtful debts were over budget by \$403,000. The increase mainly relates to delays at Fines Victoria for unpaid parking infringements.</p>



**Note 1 Performance against budget (cont'd)**

**1.2 Capital works**

	<b>Budget 2019 \$'000</b>	<b>Actual 2019 \$'000</b>	<b>Variance 2019 \$'000</b>	<b>Variance 2019 %</b>	<b>Ref</b>
<b>Property</b>					
Land	-	643	643	0%	1
Land improvements	1,815	-	(1,815)	-100%	2
<b>Total land</b>	<b>1,815</b>	<b>643</b>	<b>(1,172)</b>	<b>-65%</b>	
Buildings	13,015	7,550	(5,465)	-42%	3
Heritage buildings	1,882	1,560	(322)	-17%	4
<b>Total buildings</b>	<b>14,897</b>	<b>9,110</b>	<b>(5,787)</b>	<b>-39%</b>	
<b>Total property</b>	<b>16,712</b>	<b>9,753</b>	<b>(6,959)</b>	<b>-42%</b>	
<b>Plant and equipment</b>					
Heritage plant and equipment	-	51	51	0%	
Plant, machinery and equipment	1,025	1,321	296	29%	5
Fixtures, fittings and furniture	487	1,718	1,231	253%	6
Computers and telecommunications	845	693	(152)	-18%	7
Library books	850	739	(111)	-13%	8
<b>Total plant and equipment</b>	<b>3,207</b>	<b>4,522</b>	<b>1,315</b>	<b>41%</b>	
<b>Infrastructure</b>					
Roads	7,890	5,254	(2,636)	-33%	9
Bridges	270	50	(220)	-81%	10
Footpaths and cycleways	3,267	2,462	(805)	-25%	11
Drainage	580	2,424	1,844	318%	12
Recreational, leisure and community facilities	3,378	2,018	(1,360)	-40%	13
Waste management	300	266	(34)	-11%	14
Parks, open space and streetscapes	5,380	4,824	(556)	-10%	15
Off street car parks	1,085	775	(310)	-29%	16
Other infrastructure	1,465	552	(913)	-62%	17
<b>Total infrastructure</b>	<b>23,615</b>	<b>18,625</b>	<b>(4,990)</b>	<b>-21%</b>	
<b>Total capital works expenditure</b>	<b>43,534</b>	<b>32,900</b>	<b>(10,634)</b>	<b>-24%</b>	
<b>Represented by:</b>					
New asset expenditure	8,207	7,257	(950)	-12%	18
Asset renewal expenditure	26,272	23,010	(3,262)	-12%	18
Asset upgrade expenditure	9,055	2,633	(6,422)	-71%	18
<b>Total capital works expenditure</b>	<b>43,534</b>	<b>32,900</b>	<b>(10,634)</b>	<b>-24%</b>	



(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	Purchase of Epsom Street, Laverton site.
2	Land improvements	Land improvements have been reclassified to the parks, open spaces and streetscapes asset category.
3	Buildings	Building expenditure is under budget by \$5.465 million due to deferment of the J.T. Gray reserve pavilion to 2019/20 (\$2.491 million), Laverton Hub HVAC rectification works transferred to furniture and fittings asset class (\$1.051 million), Civic centre refurbishment (\$493,000), Public Toilets (\$362,000) and Newport Community Hub (\$276,000) to be completed in 2019/20. This is offset by over expenditure in library furniture and fitout (\$806,000), Council asset maintenance (\$769,000), Early Years Altona/Seaholme (\$385,000), Pavilions (\$197,000).
4	Heritage buildings	Heritage buildings were under budget (\$322,000) as a result of continuing works at the Williamstown Mechanics Institute.
5	Plant, machinery and equipment	Plant, Machinery and equipment is over budget (\$296,000) as a result of the purchase of additional vehicles.
6	Fixtures, fittings and furniture	Fixtures, fittings and furniture is over budget (\$1.231 million) largely due to the transfer of HVAC works at Laverton Hub from the buildings asset category (\$1.051 million).
7	Computers and telecommunications	Computers and telecommunications underspend is due to the deferment of the Library management system upgrade to 2019/20.
8	Library books	Library books under expenditure is offset by additional operating expenditure on e-books, licenses and subscriptions (\$115,000).
9	Roads	Roads were under budget on Electra Street (\$449,000), Hudsons Road (\$428,000), Alma Terrace (\$403,000), Charles Street (\$400,000), Parramatta Street (\$218,000), Spotswood resurfacing (\$200,000), Merton Street (\$148,000) and Railway Place (\$110,000).
10	Bridges	Bridges is under budget due to under expenditure on Altona Road bridge (\$130,000), Truganina Park footbridge (\$50,000) and Altona Boat ramp footbridge (\$30,000).
11	Footpaths and cycleways	Footpaths and cycleways are under budget due to the Skeleton Creek shared trails ((\$500,000), Kororoit Creek shared trail (\$613,000), .
12	Drainage	Drainage is above budget as a result of works in Alma Terrace (\$901,000) budgeted in Roads, Electra Street budgeted in roads (\$624,000), Railway Place Williamstown (\$215,000) and Bryan Martin Oval (\$137,000).
13	Recreational, leisure and community facilities	Bayside Paisley college sports pavillion deferred to 2019/20 (\$787,000) and transfers of funds to other asset classes (\$400,000).
14	Waste management	Purchase and installation of smart bins under budget (\$32,000).
15	Parks, open space and streetscapes	Armstrong Reserve (\$375,000) deferred, Vibrant Villages program in both Paine Street (\$145,000) and Douglas Parade (\$200,000) deferred offset by carry forward works from 2017/18 for foreshore vehicle access ramps (\$407,000).
16	Off street car parks	Under budget due deferment of Donald McLean reserve (\$95,000), Comben Reserve Tennis (\$85,000), Laverton car park lighting (\$60,000) and Aviation Road Laneway.
17	Other infrastructure	The underspend is the result of the following projects being deferred : -Esplanade pedestrian improvement (\$280,000), Street lighting (\$180,000), Wayfinder signage (\$750,000) and Douglas Parade pedestrian crossing (\$90,000).
18	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.



**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 of Sustainable communities includes the assessment of city development, health, 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.



**Note 2 Analysis of Council results by program**

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

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2019</b>					
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

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2018</b>					
Corporate Services	(28,875)	23,270	(5,605)	(472)	48,310
Sustainable Communities	(66,971)	54,329	(12,642)	(10,164)	165,030
Infrastructure & City Services	(48,346)	45,920	(2,426)	(4,773)	1,074,811
	(144,192)	123,519	(20,673)	(15,409)	1,288,151



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

2019	2018
\$'000	\$'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 2018/19 was \$37,059 million (2017/18 \$28,159 million). The 2018/19 residential rate in the dollar was 0.2060 cents (2017/18 0.2559 cents). Differential rating factors are used for the purpose of applying variable rates according to land use

General rates	97,894	94,547
Waste management charge	8,839	6,885
Supplementary rates and rate adjustments	255	570
Interest on rates and charges	460	496
Revenue in lieu of rates	513	667
<b>Total rates and charges</b>	<b>107,961</b>	<b>103,165</b>

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

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

**3.2 Statutory fees and fines**

Infringements and costs	2,721	2,425
Court recoveries	3	9
Town planning fees	1,745	1,800
Land information certificates	74	89
Permits	752	620
<b>Total statutory fees and fines</b>	<b>5,295</b>	<b>4,943</b>

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

**3.3 User fees**

Aged and health services	2,240	2,678
Leisure centre and recreation	448	626
Child care/children's programs	317	459
Parking	921	903
Registration and other permits	427	383
Roads and drains	277	361
Town Planning	168	329
Facilities	312	226
Building services	409	314
Other fees and charges	832	630
<b>Total user fees</b>	<b>6,351</b>	<b>6,909</b>

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



<b>3.4 Funding from other levels of government</b>	<b>2019</b>	<b>2018</b>
Grants were received in respect of the following :	<b>\$'000</b>	<b>\$'000</b>
<b>Summary of grants</b>		
Commonwealth funded grants	8,276	8,751
State funded grants	10,059	6,658
<b>Total grants received</b>	<b>18,335</b>	<b>15,409</b>
<b>(a) Operating Grants</b>		
<b><i>Recurrent - Commonwealth Government</i></b>		
Financial Assistance Grants	2,683	2,785
Aged home and community care	4,843	4,785
Family Youth and children	-	243
Food Services	2	16
<b><i>Recurrent - State Government</i></b>		
Family Youth and children	903	616
Aged home and community care	1,417	1,330
School crossing supervisors	284	253
Libraries	627	627
Maternal and child health	725	720
Infrastructure	218	-
Public Health	111	138
Beach cleaning	104	104
Recycling	98	-
Community safety	72	13
Recreation	42	24
Other	99	40
<b>Total recurrent operating grants</b>	<b>12,228</b>	<b>11,694</b>
<b><i>Non-recurrent - Commonwealth Government</i></b>		
Aged Care	-	498
<b><i>Non-recurrent - State Government</i></b>		
Recreation	-	50
Recycling	3	102
Infrastructure	-	150
Aged Care	484	26
Libraries	-	115
Other	35	24
<b>Total non-recurrent operating grants</b>	<b>522</b>	<b>965</b>
<b>Total operating grants</b>	<b>12,750</b>	<b>12,659</b>
<b>(b) Capital Grants</b>		
<b><i>Recurrent - Commonwealth Government</i></b>		
Roads to recovery	664	667
<b>Total recurrent capital grants</b>	<b>664</b>	<b>667</b>
<b><i>Non-recurrent - Commonwealth Government</i></b>		
Infrastructure	85	-
<b><i>Non-recurrent - State Government</i></b>		
Recreation	4,201	1,124
Infrastructure	635	959
<b>Total non-recurrent capital grants</b>	<b>4,921</b>	<b>2,083</b>
<b>Total capital grants</b>	<b>5,585</b>	<b>2,750</b>
<b>(c) Unspent grants received on condition that they be spent in a specific manner</b>		
Balance at start of year	350	138
Received during the financial year and remained unspent at balance date	199	350
Received in prior years and spent during the financial year	(350)	(138)
<b>Balance at year end</b>	<b>199</b>	<b>350</b>

Grant income is recognised when Council obtains control of the contribution. Control is normally obtained upon receipt (or



	2019	2018
	\$'000	\$'000
<b>3.5 Contributions</b>		
Monetary	4,671	5,330
<b>Total contributions</b>	<b>4,671</b>	<b>5,330</b>

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

### 3.6 Total net loss on disposal of property, infrastructure, plant and equipment

Proceeds of sale	360	144
Written down value of assets disposed	(1,334)	(629)
<b>Total net loss on disposal of property, infrastructure, plant and equipment</b>	<b>(974)</b>	<b>(485)</b>

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

### 3.7 Other income

Interest	2,029	1,609
Investment property rental	2,059	2,161
Other rent	599	588
Other	5	274
<b>Total other income</b>	<b>4,692</b>	<b>4,632</b>

Interest is recognised as it is earned.

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

## Note 4 The cost of delivering services

### 4.1 (a) Employee costs

Wages and salaries	48,412	47,945
WorkCover	372	515
Casual staff	2,427	1,670
Superannuation	4,372	4,303
Fringe benefits tax	6	9
Other	261	311
<b>Total employee costs</b>	<b>55,850</b>	<b>54,753</b>

	2019	2018
	\$'000	\$'000

### (b) Superannuation

Council made contributions to the following funds:

#### Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	301	350
	<b>301</b>	<b>350</b>
Employer contributions payable at reporting date.	-	-

#### Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	2,280	2,323
Employer contributions - other funds	1,814	1,633
	<b>4,094</b>	<b>3,956</b>
Employer contributions payable at reporting date.	-	-

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



	2019 \$'000	2018 \$'000
<b>4.2 Materials and services</b>		
Contracts	11,066	11,601
General maintenance	7,756	7,535
Recycling, tipping and refuse collections	5,360	4,841
Building maintenance	5,188	5,269
Utilities	3,224	3,111
Consultants	2,628	2,870
Office administration	1,905	1,948
Information technology	1,857	1,603
Community grants	1,095	1,065
Insurance	881	787
Other	601	650
<b>Total materials and services</b>	<b>41,561</b>	<b>41,280</b>

#### 4.3 Depreciation and amortisation

Property	3,063	2,990
Plant and equipment	2,358	2,290
Infrastructure	13,205	19,275
<b>Total depreciation</b>	<b>18,626</b>	<b>24,555</b>

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

#### 4.4 Bad and doubtful debts

Parking fine debtors	552	356
Other debtors	24	(25)
<b>Total bad and doubtful debts</b>	<b>576</b>	<b>331</b>

##### Movement in provisions for doubtful debts

Balance at the beginning of the year	2,115	1,816
New provisions recognised during the year	602	405
Amounts already provided for and written off as uncollectible	(27)	(32)
Amounts provided for but recovered during the year	(26)	(74)
Balance at end of year	2,664	2,115

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.

#### 4.5 Borrowing costs

Interest - Borrowings	627	626
<b>Total borrowing costs</b>	<b>627</b>	<b>626</b>

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

#### 4.6 Other expenses

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	68	66
Auditors' remuneration - Internal	109	84
Councillors' allowances	254	249
Operating lease rentals	1,006	1,090
<b>Total other expenses</b>	<b>1,437</b>	<b>1,489</b>



<b>Note 5 Our financial position</b>	<b>2019</b>	<b>2018</b>
<b>5.1 Financial assets</b>	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Cash and cash equivalents</b>		
Cash on hand	4	3
Cash at bank	(216)	911
Term deposits	1,430	1,800
<b>Total cash and cash equivalents</b>	<b>1,218</b>	<b>2,714</b>
<b>(b) Other financial assets</b>		
Regional Kitchen Pty Ltd - at fair value	357	-
Procurement Australasia Ltd - at fair value	-	-
Term deposits - current	85,000	67,000
<b>Total other financial assets</b>	<b>85,357</b>	<b>67,000</b>
<b>Total financial assets</b>	<b>86,575</b>	<b>69,714</b>

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)	5,325	4,793
Total restricted funds	5,325	4,793
Total unrestricted cash and cash equivalents	(4,107)	(2,079)
Other financial assets - term deposits Note 5.1 (b)	85,357	67,000
Total unrestricted cash and cash equivalents and other financial assets	<b>81,250</b>	<b>64,921</b>

#### **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	20,154	20,604
- Cash held to fund recreation land works	12,571	9,178
- Cash held to fund carried forward capital works	16,732	6,947
- Cash held to fund future loan repayments	8,125	6,600
- Cash held to fund carried forward waste management works	4,689	4,561
- Cash held to fund unexpended grants	199	350
- Cash held to fund car park reserves	222	222
- Cash held to fund street tree planting works	161	198
- Cash held to fund Hobsons Bay Caravan park site works	92	-
- Cash held to fund Port Phillip woollen mill works	412	166
Total funds subject to intended allocations	<b>63,357</b>	<b>48,826</b>

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.



	2019 \$'000	2018 \$'000
<b>(c) Trade and other receivables</b>		
<b>Current</b>		
<i>Statutory receivables</i>		
Rates debtors	7,389	6,045
Net GST receivable	1,369	892
Infringement debtors	3,434	2,680
Provision for doubtful debts - infringements	(2,499)	(1,937)
<i>Non statutory receivables</i>		
Loans and advances to community organisations	32	32
Other debtors	1,073	1,104
Provision for doubtful debts - other debtors	(165)	(178)
Total current trade and other receivables	10,633	8,638
<b>Non-current</b>		
<i>Non statutory receivables</i>		
Other debtors	150	44
Loans and advances to community organisations	195	227
Total non-current trade and other receivables	345	271
<b>Total trade and other receivables</b>	<b>10,978</b>	<b>8,909</b>

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

The introduction of AASB 9 Financial instruments using the expected credit loss model has resulted in the earlier recognition of credit losses. The use of the expected credit loss model has not made a significant change to the doubtful debt provisions.

#### (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)	-	-
Past due by up to 30 days	969	646
Past due between 31 and 180 days	15	392
Past due between 181 and 365 days	108	(27)
Past due by more than 1 year	193	218
Total trade and other receivables	1,285	1,229

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

At balance date, other debtors representing financial assets with a nominal value of \$1.285 million (2018: \$1.229 million) were impaired. The amount of the provision raised against these debtors was \$161,000 (2018: \$178,000). 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)	5	-
Past due by up to 30 days	10	-
Past due between 31 and 180 days	25	46
Past due between 181 and 365 days	36	45
Past due by more than 1 year	85	87
Total trade & other receivables	161	178



<b>5.2 Non-financial assets</b>	<b>2019</b>	<b>2018</b>
<b>(a) Inventories</b>	<b>\$'000</b>	<b>\$'000</b>
Inventories held for distribution	30	27
<b>Total inventories</b>	<b>30</b>	<b>27</b>

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	757	874
Accrued income	686	504
<b>Total other assets</b>	<b>1,443</b>	<b>1,378</b>

<b>5.3 Payables</b>	<b>2019</b>	<b>2018</b>
<b>(a) Trade and other payables</b>	<b>\$'000</b>	<b>\$'000</b>
Trade payables	10,849	9,133
Deferred income	1,930	-
Accrued expenses	1,069	1,449
<b>Total trade and other payables</b>	<b>13,848</b>	<b>10,582</b>

**(b) Trust funds and deposits**

Refundable deposits	5,325	4,793
Fire services levy	1,343	1,252
Other refundable deposits	473	156
<b>Total trust funds and deposits</b>	<b>7,141</b>	<b>6,201</b>

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

*Purpose and nature of items*

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

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

<b>5.4 Interest-bearing liabilities</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current</b>		
Borrowings - secured	14,200	14,200
<b>Total</b>	<b>14,200</b>	<b>14,200</b>

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
	<b>14,200</b>	<b>14,200</b>

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

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



## 5.5 Provisions

	Employee	Total
<b>2019</b>	<b>\$ '000</b>	<b>\$ '000</b>
Balance at beginning of the financial year	13,421	13,421
Additional provisions	7,024	7,024
Amounts used	(7,174)	(7,174)
Service transfers	(96)	(96)
Change in the discounted amount arising because of time and the effect of any change in the discount	(32)	(32)
Balance at the end of the financial year	<b>13,143</b>	<b>13,143</b>
<b>2018</b>		
Balance at beginning of the financial year	13,264	13,264
Additional provisions	1,592	1,592
Amounts used	(1,455)	(1,455)
Service transfers	29	29
Change in the discounted amount arising because of time and the effect of any change in the discount	(9)	(9)
Balance at the end of the financial year	<b>13,421</b>	<b>13,421</b>
<b>(a) Employee provisions</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current provisions expected to be wholly settled within 12</b>		
Annual leave	3,592	3,494
Time in lieu	65	84
End of band leave	152	-
Long service leave	6,136	6,134
	<b>9,945</b>	<b>9,712</b>
<b>Current provisions expected to be wholly settled after 12</b>		
Annual leave	399	857
Long service leave	2,046	2,044
	<b>2,445</b>	<b>2,901</b>
Total current employee provisions	<b>12,390</b>	<b>12,613</b>
<b>Non-current</b>		
Long service leave	753	808
Total non-current employee provisions	<b>753</b>	<b>808</b>
Aggregate carrying amount of employee provisions:		
Current	12,390	12,613
Non-current	753	808
Total aggregate carrying amount of employee provisions	<b>13,143</b>	<b>13,421</b>

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

### *Wages and salaries and annual leave*

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

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

### *Long service leave*

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

### Key assumptions:

- discount rate	1.03% to 2.15%	1.91% to 2.46%
- index rate	2%	2%



	2019	2018
5.6 Financing arrangements	\$'000	\$'000

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

Bank overdraft	700	700
Credit card facilities	300	300
Other facilities	14,200	14,200
Total facilities	15,200	15,200
Used facilities	(14,285)	(14,291)
Unused facilities	915	909

## 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
2019	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating</b>					
Recycling	91	10	3	-	104
Garbage collection	3,469	79	-	-	3,548
Open space management	981	3	-	-	984
Building facilities	1,410	1,160	2,327	-	4,897
Information and communications	672	-	-	-	672
Utilities	1,437	595	-	-	2,032
Other	1,443	226	1	-	1,670
Home care services	192	1	-	-	193
Meals for delivery	670	670	1,139	-	2,479
Total	10,365	2,744	3,470	-	16,579
<b>Capital</b>					
Buildings	13,589	177	-	-	13,766
Open Space	256	-	-	-	256
Roads & Footpaths	916	916	2,134	-	3,966
Total	14,761	1,093	2,134	-	17,988



	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
<b>2018</b>					
<b>Operating</b>					
Recycling	10	10	12	-	32
Garbage collection	3,525	3,165	78	-	6,768
Open space management	927	-	-	-	927
Building facilities	570	154	-	-	724
Information and communications	1,010	672	-	-	1,682
Utilities	1,550	1,500	627	-	3,677
Other	1,739	285	11	-	2,035
Home care services	290	-	-	-	290
Cleaning contracts for council buildings	85	-	-	-	85
Meals for delivery	670	670	1,809	-	3,149
<b>Total</b>	<b>10,376</b>	<b>6,456</b>	<b>2,537</b>	<b>-</b>	<b>19,369</b>
<b>Capital</b>					
Buildings	2,612	-	-	-	2,612
Other	628	-	-	-	628
<b>Total</b>	<b>3,240</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,240</b>

	2019 \$'000	2018 \$'000
<b>Operating lease commitments</b>		

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

Not later than one year	935	751
Later than one year and not later than five years	1,321	1,678
Later than five years	-	-
	<u>2,256</u>	<u>2,429</u>

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

<b>Note 6 Assets we manage</b>	<b>2019</b>	<b>2018</b>
<b>6.1 Non current assets classified as held for sale</b>	<b>\$'000</b>	<b>\$'000</b>
Opening balance	147	-
Sale of land	(147)	-
Transfer from Land	-	147
<b>Total non current assets classified as held for sale</b>	<b>-</b>	<b>147</b>

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







## 6.2 Property, infrastructure, plant and equipment

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

	At Fair Value 30 June 2018 \$'000	Additions \$'000	Revaluation \$'000	Depreciation \$'000	Disposal \$'000	Reclassification n	Transfers \$'000	At Fair Value 30 June 2019 \$'000
Property	701,992	7,194	-	(3,063)	(73)	(72)	5,106	711,084
Plant and equipment	8,655	4,523	-	(2,358)	(87)	72	112	10,917
Infrastructure	475,707	14,664	(3,105)	(13,205)	(1,026)	-	1,133	474,168
Work in progress	7,988	6,519	-	-	-	-	(6,351)	8,156
	1,194,342	32,900	(3,105)	(18,626)	(1,186)	-	-	1,204,325

### Summary of Work in Progress

	Opening WIP \$'000	Additions \$'000	Transfers \$'000	Closing WIP \$'000
Property	5,907	2,558	(5,106)	3,359
Furniture and fittings	112	1	(112)	1
Infrastructure	1,969	3,960	(1,133)	4,796
Total	7,988	6,519	(6,351)	8,156



(a) Property

	Land - specialised \$'000	Total Land & Land Improvements \$'000	Heritage buildings \$'000	Buildings - specialised \$'000	Buildings - non specialised \$'000	Total Buildings \$'000	Total Property	Work In Progress \$'000	Total property plus WIP \$'000
At fair value 1 July 2018	565,250	565,250	23,359	152,822	35,410	211,591	776,841	5,907	782,748
Accumulated depreciation at 1 July 2018	-	-	(6,257)	(68,592)	-	(74,849)	(74,849)	-	(74,849)
	565,250	565,250	17,102	84,230	35,410	136,742	701,992	5,907	707,899
<b>Movements in fair value</b>									
Additions	643	643	468	6,083	-	6,551	7,194	2,558	9,752
Disposal	-	-	-	(769)	-	(769)	(769)	-	(769)
Transfers	-	-	154	4,880	-	5,034	5,034	(5,106)	(72)
	643	643	622	10,194	-	10,816	11,459	(2,548)	8,911
<b>Movements in accumulated depreciation</b>									
Depreciation and amortisation	-	-	(229)	(2,834)	-	(3,063)	(3,063)	-	(3,063)
Accumulated depreciation of disposals	-	-	-	696	-	696	696	-	696
	-	-	(229)	(2,138)	-	(2,367)	(2,367)	-	(2,367)
At fair value 30 June 2019	565,893	565,893	23,981	163,016	35,410	222,407	788,300	3,359	791,659
Accumulated depreciation at 30 June 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



**(b) Plant and Equipment**

	Heritage plant and equipment	Plant machinery and equipment	Fixtures and fittings and furniture	Computers and telecomms	Library books	Total plant and equipment	Work in Progress	Total plant and equipment plus WIP
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2018	1,549	9,402	7,743	5,627	11,012	35,333	112	35,445
Accumulated depreciation at 1 July 2018	-	(5,808)	(6,670)	(4,584)	(9,617)	(26,679)	-	(26,679)
	1,549	3,594	1,073	1,043	1,395	8,654	112	8,766
<b>Movements in fair value</b>								
Additions	52	1,321	1,718	693	739	4,523	1	4,524
Disposal	-	(2,407)	(108)	(262)	-	(2,777)	-	(2,777)
Transfers	-	-	184	-	-	184	(112)	72
	52	(1,086)	1,794	431	739	1,930	(111)	1,819
<b>Movements in accumulated depreciation</b>								
Depreciation and amortisation	-	(1,035)	(231)	(542)	(550)	(2,358)	-	(2,358)
Accumulated depreciation of disposals	-	2,326	108	256	-	2,690	-	2,690
	-	1,291	(123)	(286)	(550)	332	-	332
At fair value 30 June 2019	1,601	8,316	9,537	6,058	11,751	37,263	1	37,264
Accumulated depreciation at 30 June 2019	-	(4,517)	(6,793)	(4,870)	(10,167)	(26,347)	-	(26,347)
	1,601	3,799	2,744	1,188	1,584	10,916	1	10,917



(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 2018	398,490	25,314	76,084	234,894	24,087	3,452	36,563	9,197	11,038	819,119	1,969	821,088
Accumulated depreciation at 1 July 2018	(186,275)	(7,487)	(50,736)	(77,446)	(7,152)	(2,543)	(5,692)	(895)	(5,186)	(343,412)	-	(343,412)
	212,215	17,827	25,348	157,448	16,935	909	30,871	8,302	5,852	475,707	1,969	477,676
<b>Movements in fair value</b>												
Additions	4,888	50	2,297	2,244	1,881	266	2,160	326	552	14,664	3,960	18,624
Revaluation	11,308	-	2,332	1,005	-	-	-	-	-	14,645	-	14,645
Disposal	(2,487)	-	(1,147)	(3)	(229)	-	(348)	-	-	(4,214)	-	(4,214)
Transfers	134	18	307	134	111	-	297	-	132	1,133	(1,133)	-
	13,843	68	3,789	3,380	1,763	266	2,109	326	684	26,228	2,827	29,055
<b>Movements in accumulated depreciation</b>												
Depreciation and amortisation	(6,440)	(266)	(1,903)	(2,727)	(564)	(32)	(868)	(188)	(217)	(13,205)	-	(13,205)
Accumulated depreciation of disposals	1,842	-	976	1	108	-	261	-	-	3,188	-	3,188
Revaluation	(12,874)	-	(3,671)	(1,205)	-	-	-	-	-	(17,750)	-	(17,750)
	(17,472)	(266)	(4,598)	(3,931)	(456)	(32)	(607)	(188)	(217)	(27,767)	-	(27,767)
At fair value 30 June 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 30 June 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



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

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

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

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

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

### Repairs and maintenance

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

### Valuation of land and buildings

Valuation of land 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 unserved) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

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



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

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

	Level 1	Level 2	Level 3	Date of Valuation
Land	-	-	565,893	June 2018
Heritage Buildings	-	-	17,495	June 2018
Buildings	-	35,410	92,286	June 2018
Total	-	35,410	675,674	

#### 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 2019, supervised by Paris Zenonos 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 2019 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
Roads	-	-	208,586	June 2019
Bridges	-	-	17,629	June 2018
Footpaths and cycleways	-	-	24,539	June 2019
Drainage	-	-	156,897	June 2019
Recreational, leisure and community facilities	-	-	18,242	
Waste management	-	-	1,143	
Parks, open space and streetscapes	-	-	32,373	
Off street car parks	-	-	8,440	
Other infrastructure	-	-	6,319	
Total	-	-	474,168	

#### 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 \$4 and \$5,636 per square metre.

**Specialised buildings** are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$40 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 150 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	2019 \$'000	2018 \$'000
<b>Reconciliation of specialised land</b>		
Community facilities	57,813	57,813
Parks and reserves	488,026	487,383
Other	20,054	20,054
<b>Total specialised land</b>	<b>565,893</b>	<b>565,250</b>



	2019 \$'000	2018 \$'000
<b>6.3 Investment property</b>		
Balance at beginning of financial year	13,404	9,600
Fair value adjustments	-	3,804
Balance at end of financial year	<u>13,404</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.

***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.

**6.4 Other financial assets**

*Other financial assets*

Regional Kitchen Pty Ltd - at cost as at 30 June 2018	-	230
<i>Total other financial assets</i>	<u>-</u>	<u>230</u>

Following the adoption of AASB 9 Financial instruments this asset is now classified as a current other financial asset at fair value through the income statement. Last year AASB 139 was applied and the asset was valued at cost.



**Note 7 People and relationships**

**7.1 Council and key management remuneration**

**(a) Related Parties**

*Parent entity*

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:

<b>Councillors</b>	Councillor Jonathon Marsden ( Mayor 9 November 2018 to 30 June 2019 )
	Councillor Angela Altair ( Mayor from 1 July 2018 to 8 November 2018 )
	Councillor Tony Briffa
	Councillor Colleen Gates
	Councillor Michael Grech
	Councillor Peter Hemphill
	Councillor Sandra Wilson
	Chief Executive Officer
	Director - Corporate Services
	Director - Infrastructure and City Services
	Director - Sustainable Communities

<b>Total Number of Councillors</b>	7	7
<b>Total of Chief Executive Officer and other Key Management Personnel</b>	6	6
<b>Total Number of Key Management Personnel</b>	13	13

During the year two directors were appointed to replace two departing directors.

**(c) Remuneration of Key Management Personnel**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Total remuneration of key management personnel was as follows:		
Short-term benefits	1,314	1,521
Superannuation	105	107
Long-term benefits	35	36
Termination benefits	-	-
<b>Total</b>	<b>1,454</b>	<b>1,664</b>

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

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
\$20,000 - \$29,999	5	6
\$40,000 - \$49,999	1	1
\$60,000 - \$69,999	1	1
\$80,000 - \$89,999	1	-
\$90,000 - \$99,999	1	-
\$150,000 - \$169,999	1	-
\$190,000 - \$199,999	1	-
\$230,000 - \$239,999	-	1
\$260,000 - \$269,999	-	1
\$270,000 - \$279,999	1	-
\$280,000 - \$289,999	-	2
\$300,000 - \$309,999	-	1
\$350,000 - \$359,999	1	-
	13	13



#### (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 \$148,000

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

Income Range:	2019 No.	2018 No.
< \$148,000	4	1
\$148,000 - \$149,999	1	-
\$150,000 - \$159,999	3	1
\$160,000 - \$169,999	6	4
\$170,000 - \$179,999	4	4
\$180,000 - \$189,999	2	8
\$190,000 - \$199,999	4	-
\$200,000 - \$209,999	-	2
\$210,000 - \$219,999	1	-
\$250,000 - \$259,999	-	1
	<b>25</b>	<b>21</b>
Total Remuneration for the reporting year for Senior Officers included above, amounted to	\$ 4,121,000	\$ 3,818,000

#### 7.2 Related party disclosure

##### (a) Transactions with related parties

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

2019 \$'000	2018 \$'000
----------------	----------------

-	-
---	---

##### (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:

-	-
---	---



## **Note 8 Managing uncertainties**

### **8.1 Contingent assets and liabilities**

#### **(a) Contingent assets**

##### ***Operating lease receivables***

The Council has entered into commercial property leases on its investment property, consisting of surplus freehold properties. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 38 years. All leases include a CPI based revision of the rental charge annually.

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

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Not later than one year	2,069	1,433
Later than one year and not later than five years	7,324	2,662
Later than five years	12,908	5,092
	<u>22,301</u>	<u>9,187</u>

#### **(b) Contingent liabilities**

##### **Superannuation**

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

##### *Future superannuation contributions*

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2020 are \$472,000.

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.

#### **(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.

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
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.



## 8.2 Change in accounting standards

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

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

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

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

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

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

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

Council has elected to adopt the modified retrospective approach to the transition to the new lease standard. This will mean that only existing operating leases for non low value assets, with remaining terms greater than 12 months, will be recognised on transition (1 July 2019). Based on our current lease commitments and an assumption of a continuation of the current leasing arrangements Council expects that the transition to the new standard will see the initial recognition of \$2,296,000 in lease related assets and an equivalent liability

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

This standard is expected to apply to certain transactions currently accounted for under AASB 1004 *Contributions* and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable a not-for-profit entity to further its objectives. The impact of AASB 1058 is not expected to be material.

## 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.



**(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 an investment 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 an investment policy that requires surplus funds to be invested within various bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

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

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

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

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

**(e) Sensitivity disclosure analysis**

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

- A parallel shift of + 1.0% and -1.0% in market interest rates (AUD) from year-end rates of 2.45%.

These movements will not have a material impact on the valuation of Council's financial assets and liabilities, nor will they have a material impact on the results of Council's operations.



## 8.4 Fair value measurement

### *Fair value hierarchy*

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

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

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

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

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

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

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**

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

#### **Note 9 Other matters**

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
<b>9.1 Reserves</b>			
<b>(a) Asset revaluation reserves</b>			
<b>2019</b>			
<b>Property</b>			
Land	468,789	-	468,789
Heritage buildings	952	-	952
Buildings	4,661	-	4,661
	474,402	-	474,402
<b>Infrastructure</b>			
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
	249,890	(3,105)	246,785
<b>Total asset revaluation reserves</b>	<b>724,292</b>	<b>(3,105)</b>	<b>721,187</b>
<b>2018</b>			
<b>Property</b>			
Land	373,824	94,965	468,789
Heritage buildings	-	952	952
Buildings	6,428	(1,767)	4,661
	380,252	94,150	474,402
<b>Infrastructure</b>			
Roads	158,733	-	158,733
Bridges	-	2,951	2,951
Footpaths and cycleways	12,564	-	12,564
Drainage	57,595	18,047	75,642
	228,892	20,998	249,890
<b>Total asset revaluation reserves</b>	<b>609,144</b>	<b>115,148</b>	<b>724,292</b>



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>(b) Other reserves</b>				
<b>2019</b>				
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
<b>Total Other reserves</b>	<b>49,877</b>	<b>26,444</b>	<b>(11,779)</b>	<b>64,542</b>
<b>2018</b>				
Car Park reserve	222	-	-	222
Infrastructure reserve	14,877	5,727	-	20,604
Recreation land fund reserve	6,466	4,712	(2,000)	9,178
Street tree planting reserve	246	79	(127)	198
Capital works carryover reserve	3,924	6,947	(3,924)	6,947
Discretionary loan repayment reserve	5,075	1,525	-	6,600
Grants commission reserve	1,323	1,401	(1,323)	1,401
Port Phillip Woollen Mill reserve	133	44	(11)	166
Waste management sinking fund	5,001	-	(440)	4,561
<b>Total Other reserves</b>	<b>37,267</b>	<b>20,435</b>	<b>(7,825)</b>	<b>49,877</b>



	2019 \$'000	2018 \$'000
<b>9.2 Reconciliation of cash flows from operating activities to surplus</b>		
Surplus for the year	27,654	20,673
Depreciation/amortisation	18,626	24,555
Loss on disposal of property, infrastructure, plant and equipment	974	485
Fair value adjustments for investment property	-	(3,804)
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(2,069)	232
(Increase)/decrease in prepayments	117	(199)
Increase in accrued income	(182)	(31)
Increase in trade and other payables	4,990	222
Increase in trust funds and deposits	1,031	743
Increase in inventories	(3)	(3)
Increase/(decrease) in provisions	(278)	157
Net cash provided by operating activities	<b>50,860</b>	<b>43,030</b>

### 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, receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2019, this was 9.5% as required under Superannuation Guarantee (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 the 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 2018, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which the Council is a contributing employer was 106.0%. The financial assumptions used to calculate the VBI's were:

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

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

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



### 9.3 Superannuation (cont.)

#### Employer contributions

##### Regular contributions

On the basis of the results of the 2018 interim actuarial investigation conducted by the Fund Actuary, The 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 2019, this rate was 9.5% of members' salaries (9.5% in 2017/18). This rate will increase in line with any increases in the SG contribution rate.

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

##### Funding calls

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

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers the 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 2018 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which the 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 2018 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 the Council is a contributing employer:

			2018	2017
			\$ m	\$ m
A VBI surplus			131.9	69.8
A total service liability surplus			218.3	193.5
A discounted accrued benefits surplus			249.1	228.8

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

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2018.

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 2018.

The Council was notified of the 30 June 2018 VBI during August 2018 (2017: August 2017).

#### The 2019 interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2019 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by

#### Superannuation contributions

Contributions by the Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2019 are detailed below:

Scheme	Type of Scheme	Rate	2019 \$'000	2018 \$'000
Vision Super	Defined benefits	9.50%	301	350
Vision Super	Accumulation	9.50%	2,280	2,323
Other funds	Other accumulation funds	9.50%	1,814	1,633

There were no contributions outstanding and loans issued from or to the above schemes as at 30 June 2019.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2020 is \$280,000).



## Certification of the Performance Statement

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



Hamish Munro, CPA  
Principal Accounting Officer  
Date : 17 September 2019  
Altona

In our opinion the accompanying performance statement of the Hobsons Bay City Council for the year ended 30 June 2019 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 which 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 Jonathon Marsden  
Mayor  
Date : 17 September 2019  
Altona



Councillor Sandra Wilson  
Councillor  
Date : 17 September 2019  
Altona



Aaron van Egmond  
Chief Executive Officer  
Date : 17 September 2019  
Altona





## Independent Auditor's Report

### To the Councillors of Hobsons Bay City Council

<b>Opinion</b>	<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"> <li>• description of municipality for the year ended 30 June 2019</li> <li>• sustainable capacity indicators for the year ended 30 June 2019</li> <li>• service performance indicators for the year ended 30 June 2019</li> <li>• financial performance indicators for the year ended 30 June 2019</li> <li>• other information for the year ended 30 June 2019 (basis of preparation)</li> <li>• certification of the performance statement.</li> </ul> <p>In my opinion, the performance statement presents fairly, in all material respects, the performance of the council for the year ended 30 June 2019, in accordance with the performance reporting requirements of Part 6 of the <i>Local Government Act 1989</i>.</p>
<b>Basis for Opinion</b>	<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>. 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 performance statement 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>
<b>Councillors' responsibilities for the performance statement</b>	<p>The Councillors of the council are 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 determine 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>
<b>Auditor's responsibilities for the audit of the performance statement</b>	<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>



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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 the 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 the 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.

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MELBOURNE  
20 September 2019

  
Jonathan Kyvelidis  
*as delegate for the Auditor-General of Victoria*











**HOBSONS  
BAY CITY  
COUNCIL**



## **HOBSONS BAY CITY COUNCIL**

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**HOBSONS BAY  
LANGUAGE LINE**

# **9932 1212**

**INTERPRETER SERVICE FOR ALL LANGUAGES**

**Your Council in your language**

Recorded Council information in:

English	العربية	Ελληνικά
Italiano	ကဗိုဝ်း	Tiếng Việt
粵語	Македонски	普通话