



# **Annual Financial Report**

Hobsons Bay  
City Council

2017–18

**HOBSONS  
BAY CITY  
COUNCIL**



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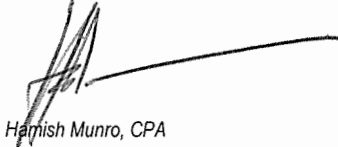
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## Certification of the Financial Statements

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



Hamish Munro, CPA

**Principal Accounting Officer**

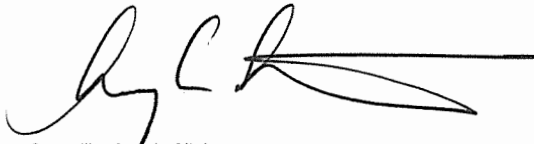
**Date :** 18 September 2018

Altona

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

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

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

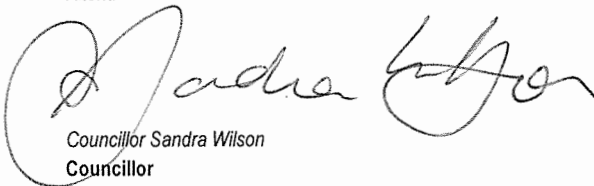


Councillor Angela Altair

**Mayor**

**Date :** 18 September 2018

Altona

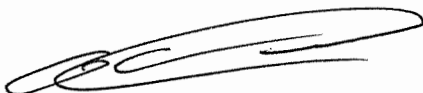


Councillor Sandra Wilson

**Councillor**

**Date :** 18 September 2018

Altona



Aaron van Egmond

**Chief Executive Officer**

**Date :** 18 September 2018

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 2018</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>• 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 2018 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 6 of the <i>Local Government Act 1989</i> and applicable Australian Accounting Standards.</p>
<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 APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<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>

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**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.

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MELBOURNE  
20 September 2018



Tim Loughnan  
*as delegate for the Auditor-General of Victoria*

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

	Note	2018 \$'000	2017 \$'000
<b>Income</b>			
Rates and charges	2.1	103,165	99,250
Statutory fees and fines	2.2	4,943	4,390
User fees	2.3	6,909	7,029
Grants - operating	2.4	12,659	13,210
Grants - capital	2.4	2,750	1,157
Contributions - monetary	2.5	5,330	6,269
Net gain on disposal of property, infrastructure, plant and equipment	2.6	-	279
Fair value adjustments for investment property	5.3	3,804	595
Other income	2.7	4,632	4,381
<b>Total income</b>		<b>144,192</b>	<b>136,560</b>
<b>Expenses</b>			
Employee costs	3.1	54,753	52,665
Materials and services	3.2	41,280	38,732
Depreciation and amortisation	3.3	24,555	19,360
Net loss on disposal of property, infrastructure, plant and equipment	2.6	485	-
Bad and doubtful debts	3.4	331	161
Borrowing costs	3.5	626	626
Other expenses	3.6	1,489	1,427
<b>Total expenses</b>		<b>123,519</b>	<b>112,971</b>
<b>Surplus for the year</b>		<b>20,673</b>	<b>23,589</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)	5.2	115,147	(14,903)
<b>Total comprehensive result</b>		<b>135,820</b>	<b>8,686</b>

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

## Balance Sheet

### As at 30 June 2018

	Note	2018 \$'000	2017 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4.1	2,714	4,370
Trade and other receivables	4.1	8,638	8,819
Other financial assets	4.1	67,000	54,000
Inventories	4.2	27	24
Other assets	4.2	1,378	1,148
Non-current assets classified as held for sale	5.1	147	-
<b>Total current assets</b>		<b>79,904</b>	<b>68,361</b>
<b>Non-current assets</b>			
Trade and other receivables	4.1	271	322
Other financial assets	4.1	-	1,000
Property, infrastructure, plant and equipment	5.2	1,194,342	1,010,484
Investment property	5.3	13,404	9,600
Other financial assets	5.4	230	230
<b>Total non-current assets</b>		<b>1,208,247</b>	<b>1,021,636</b>
<b>Total assets</b>		<b>1,288,151</b>	<b>1,089,997</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	4.3	10,582	13,791
Trust funds and deposits	4.3	6,201	5,458
Provisions	4.5	12,613	12,445
<b>Total current liabilities</b>		<b>29,396</b>	<b>31,694</b>
<b>Non-current liabilities</b>			
Provisions	4.5	808	819
Interest-bearing liabilities	4.4	14,200	14,200
<b>Total non-current liabilities</b>		<b>15,008</b>	<b>15,019</b>
<b>Total liabilities</b>		<b>44,404</b>	<b>46,713</b>
<b>Net assets</b>		<b>1,243,747</b>	<b>1,043,284</b>
<b>Equity</b>			
Accumulated surplus		469,579	396,873
Reserves	8.1	774,168	646,411
<b>Total Equity</b>		<b>1,243,747</b>	<b>1,043,284</b>

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

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

	Note	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		115,147	-	115,147	-
Transfers to other reserves		-	(20,435)	-	20,435
Transfers from other reserves		-	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>

		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
<b>2017</b>					
Balance at beginning of the financial year		1,034,598	386,405	624,047	24,146
Surplus for the year		23,589	23,589	-	-
Net asset revaluation decrement		(14,903)	-	(14,903)	-
Transfers to other reserves		-	(19,315)	-	19,315
Transfers from other reserves		-	6,194	-	(6,194)
<b>Balance at end of the financial year</b>		<b>1,043,284</b>	<b>396,873</b>	<b>609,144</b>	<b>37,267</b>

\* Council has restated the Statement of Changes in Equity to correct prior period adjustments as detailed in Note 8.4

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

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

	2018 Inflows/ (Outflows) \$'000	2017 Inflows/ (Outflows) \$'000
Note		
<b>Cash flows from operating activities</b>		
Rates and charges	102,934	98,068
Statutory fees and fines	4,455	4,151
User fees	7,764	7,522
Grants - operating	12,659	13,210
Grants - capital	2,750	1,157
Contributions - monetary	5,330	6,269
Interest received	1,578	1,598
Trust funds and deposits taken	1,605	1,406
Other receipts	3,374	3,622
Net GST refund	6,511	5,944
Employee costs	(54,596)	(52,775)
Materials and services	(50,472)	(47,102)
Trust funds and deposits repaid	(862)	(963)
<b>Net cash provided by operating activities</b>	<b>43,030</b>	<b>42,107</b>
<b>Cash flows from investing activities</b>		
Payments for property, infrastructure, plant and equipment	(32,240)	(28,161)
Proceeds from sale of property, infrastructure, plant and equipment	180	770
Payments for investments	(12,000)	(13,000)
<b>Net cash used in investing activities</b>	<b>(44,060)</b>	<b>(40,391)</b>
<b>Cash flows from financing activities</b>		
Finance costs	(626)	(626)
<b>Net cash used in financing activities</b>	<b>(626)</b>	<b>(626)</b>
Net increase (decrease) in cash and cash equivalents	(1,656)	1,090
Cash and cash equivalents at the beginning of the financial year	4,370	3,280
<b>Cash and cash equivalents at the end of the financial year</b>	<b>2,714</b>	<b>4,370</b>
Financing arrangements	4.6	
Restrictions on cash assets	4.1	

The above statement of cash flow should be read in conjunction with the accompanying notes.

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

	2018 \$'000	2017 \$'000
<b>Property</b>		
Land improvements	-	2,687
<b>Total land</b>	-	2,687
Buildings	8,799	6,842
Heritage buildings	429	419
<b>Total buildings</b>	9,228	7,261
<b>Total property</b>	9,228	9,948
<b>Plant and equipment</b>		
Heritage plant and equipment	30	320
Plant, machinery and equipment	1,169	932
Fixtures, fittings and furniture	220	479
Computers and telecommunications	457	653
Library books	630	601
<b>Total plant and equipment</b>	2,506	2,985
<b>Infrastructure</b>		
Roads	4,748	5,558
Bridges	58	131
Footpaths and cycleways	2,664	3,596
Drainage	2,459	1,663
Recreational, leisure and community facilities	1,479	3,637
Waste management	-	5
Parks, open space and streetscapes	5,117	64
Off street car parks	948	1,598
Other infrastructure	192	360
<b>Total infrastructure</b>	17,665	16,612
<b>Total capital works expenditure</b>	29,399	29,545
<b>Represented by:</b>		
New asset expenditure	5,379	7,299
Asset renewal expenditure	17,832	19,775
Asset upgrade expenditure	6,188	2,471
<b>Total capital works expenditure</b>	29,399	29,545

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

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

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### 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 5.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 5.2)
- the determination of employee provisions (refer to Note 4.5)

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.

In addition the following comparative figures have been adjusted from the prior year audited financial statements with explanations of the adjustments and their amounts disclosed in Note 8.4: prior period errors.

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

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

### 1.1 Income and expenditure

	Budget 2018 \$'000	Actual 2018 \$'000	Variance 2018 \$'000	Ref
<b>Income</b>				
Rates and charges	101,214	103,165	1,951	1
Statutory fees and fines	4,312	4,943	631	2
User fees	6,354	6,909	555	
Grants - operating	11,268	12,659	1,391	3
Grants - capital	1,666	2,750	1,084	4
Contributions - monetary	3,870	5,330	1,460	5
Fair value adjustments for investment property	-	3,804	3,804	6
Other income	4,189	4,632	443	7
<b>Total income</b>	<b>132,873</b>	<b>144,192</b>	<b>11,319</b>	
<b>Expenses</b>				
Employee costs	55,470	54,753	717	
Materials and services	42,106	41,280	826	
Bad and doubtful debts	169	331	(162)	8
Depreciation and amortisation	18,402	24,555	(6,153)	9
Net loss on disposal of property, plant and equipment	-	485	(485)	
Borrowing costs	626	626	-	
Other expenses	1,485	1,489	(4)	
<b>Total expenses</b>	<b>118,258</b>	<b>123,519</b>	<b>(5,261)</b>	
<b>Surplus for the year</b>	<b>14,615</b>	<b>20,673</b>	<b>6,058</b>	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Rates and charges	Rates and charges were \$1.951 million over budget mainly due to increases in the amount originally raised for rates (\$755,000), payments in lieu of rates (\$334,000), supplementary valuations (\$270,000), garbage charges (\$91,000) and rebates (\$4,000). The increase also includes a reclassification of interest on rates (\$496,000) from other income, which were over the original budget (\$96,000).
2	Statutory fees and fines	Statutory fees and fines were \$632,000 over budget mainly due to increases in relation to parking fines (\$547,000), planning application fees (\$154,000), election management fines (\$66,000) and animal registrations (\$56,000).
3	Grants - operating	Grants - operating were \$1.391 million over budget, mainly due to increased funding for the Commonwealth home support program - "over 65" growth funding (\$325,000), school focused youth services - an additional six months funding which was largely offset by associated costs (\$153,000), the western distributor project (\$150,000) and Victorian Grants Commission funding (\$140,000). New funding was also received for the creative technology hub - with expenditure to commence in 2018-19 (\$115,000) and kerbside recycling relief - as a result of the new recycling restrictions in China (\$102,000).
4	Grants - capital	Grants - capital were over budget by \$1.084 million. Additional grant funding in relation to items such as the foreshore (\$855,000), sports ground redevelopment - Bryan Martin Oval upgrade (\$90,000) and female facilities funding (\$90,000) have been received and generally these are used to fund additional capital expenditure.
5	Contributions - monetary	Contributions - monetary were \$1.46 million over budget mainly due to increased open space contributions, which includes amounts related to the Port Phillips Woollen Mills - these have been transferred to the recreational land fund reserves and set aside for future capital works (\$1.557 million). Other increases include contributions in relation to traffic management (\$110,000), JK Grant pavilion (\$40,000) and foreshore infrastructure (\$35,000), whilst the capital works contribution in relation to the Kororoit Creek shared trail is now expected to be received in 2018-19 (\$300,000).
6	Fair value adjustments for investment property	The fair value adjustment for investment property of \$3.804 million recognises the increase in the value of Council owned investment properties conducted as part of the biennial land and building revaluation process.
7	Other income	Other income was over budget by \$443,000. The most significant increases relate to increased interest on investments - as a result of significantly higher available cash reserves (\$682,000) and increased rental income (\$350,000). Reductions include the reclassification of interest on rates to rates and charges (\$400,000) and contract income from the sale of recyclables as a result of the new waste importing restrictions in China, who were the main recipient of Victoria's paper, cardboard and plastics waste (\$226,000).
8	Bad and doubtful debts	Bad and doubtful debts were over budget by \$162,000 due to an increase in outstanding parking fines transferred to Fines Victoria for collection.
9	Depreciation and amortisation	Depreciation was over budget by \$6.153 million. This mainly relates to a change in accounting estimates for road and footpath and cycleways assets whereby adjustments were made to their estimated useful lives that are used to calculate depreciation. It is expected that this will have a one-off impact on depreciation.

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

**1.2 Capital works**

	<b>Budget 2018 \$'000</b>	<b>Actual 2018 \$'000</b>	<b>Variance 2018 \$'000</b>	<b>Ref</b>
<b>Property</b>				
Land improvements	2,501	-	(2,501)	1
<b>Total Land</b>	<u>2,501</u>	<u>-</u>	<u>(2,501)</u>	
Buildings	10,811	8,799	(2,012)	2
Heritage buildings	600	429	(171)	3
<b>Total Buildings</b>	<u>11,411</u>	<u>9,228</u>	<u>(2,183)</u>	
<b>Total Property</b>	<u>13,912</u>	<u>9,228</u>	<u>(4,684)</u>	
<b>Plant and Equipment</b>				
Heritage plant and equipment	-	30	30	
Plant, machinery and equipment	915	1,169	254	4
Fixtures, fittings and furniture	225	220	(5)	
Computers and telecommunications	691	457	(234)	5
Library books	850	630	(220)	6
<b>Total Plant and Equipment</b>	<u>2,681</u>	<u>2,506</u>	<u>(175)</u>	
<b>Infrastructure</b>				
Roads	6,682	4,748	(1,934)	7
Bridges	100	58	(42)	8
Footpaths and cycleways	3,848	2,664	(1,184)	9
Drainage	822	2,459	1,637	10
Recreational, leisure and community facilities	2,230	1,479	(751)	11
Parks, open space and streetscapes	2,013	5,117	3,104	12
Off street car parks	1,005	948	(57)	
Other infrastructure	1,030	192	(838)	13
<b>Total Infrastructure</b>	<u>17,730</u>	<u>17,665</u>	<u>(65)</u>	
<b>Total Capital Works Expenditure</b>	<u>34,323</u>	<u>29,399</u>	<u>(4,924)</u>	
<b>Represented by:</b>				
New asset expenditure	8,120	5,379	(2,741)	14
Asset renewal expenditure	21,474	17,832	(3,642)	14
Asset upgrade expenditure	4,729	6,188	1,459	14
<b>Total Capital Works Expenditure</b>	<u>34,323</u>	<u>29,399</u>	<u>(4,924)</u>	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land improvements	Land improvements were reclassified to Recreational, leisure and community facilities and parks, open space and streetscapes.
2	Buildings	Building expenditure is under budget by \$ 2.012 million due to the delayed commencement of J.T. Gray reserve pavilion (\$810,000), Altona early years Centre (\$729,000), Altona central precinct (\$293,000), Bayfit renewal works (\$279,000) and Civic Centre HVAC (\$180,000). This was offset by brought forward expenditure on the Altona Sports Precinct (\$600,000) as a result of a delayed commencement of the project in the prior year.
3	Heritage buildings	Heritage buildings were under budget (\$236,000) as a result of continuing works at the Williamstown Mechanics Institute.
4	Plant, machinery and equipment	Plant, machinery and equipment is over budget (\$254,000) as a result of bus (\$160,000), trucks (\$359,000), sweeper (\$175,000), solar message sign (\$100,000), surveyor and 3D modeller (\$112,000).
5	Computers and telecommunications	Computers and telecommunications underspend is due to the deferment of projects to the 2018/19 year.
6	Library books	Library books under expenditure is offset by additional operating expenditure on e-books, licenses and subscription services (\$92,000).
7	Roads	Roads were under budget on Hudsons Road (\$965,000), Lenore Crescent (\$664,000), Electra Street (\$477,000), Charles Street (\$262,000). This was offset by additional expenditure on Buchanan Road (\$415,000) and Vibrant Villages (\$482,000).
8	Bridges	Bridges is under budget from Truganina Park foot bridge(\$32,000), Bladin Street road bridge (\$30,000), Altona Road bridge (\$24,000) and Altona Boat ramp foot bridge (\$9,000) offset by additional expenditure on Andrew Park Drive Bridge (\$31,000) and Cherry Lake bridge (\$22,000).
9	Footpaths and cycleways	Footpaths and cycle ways are under budget due to the deferred start of the Kororoit Creek Trails later stages (\$1.5 million), Skeleton Creek upgrade (\$320,000), Williamstown and Newport Coastal trail (\$300,000) and McCormack Park (\$270,000). This was offset by additional expenditure on Second Avenue (\$198,000) funded by the Vibrant Villages program, Queen Street footpath renewal (\$151,000) and North Road footpath (\$128,000).
10	Drainage	Drainage is above budget as a result of works in Lenore Crescent (\$401,000), Charles Street(\$276,000), Newport Lakes car park (\$233,000) and H.D. Graham car park (\$233,000).
11	Recreational, leisure and community facilities	Under budget due to the playground upgrades (\$224,000), Comben Reserve pathway upgrades (\$200,000), Fencing of Council reserves (\$145,000) and sporting ground infrastructure and flood lighting (\$96,000).
12	Parks, open space and streetscapes	Over budget due to the foreshore remediation program (\$2.504 million) and Williamstown Town Hall forecourt which was budgeted to other areas (\$483,000).
13	Other infrastructure	The underspend is the result of underspend on Traffic management (\$464,000) and Traffic calming devices renewal (\$308,000).
14	New renewal and upgrade expenditure	The variations to budget are the result of the above changes and the classification of expenditure to the appropriate category.

**Note 2 Funding for the delivery of our services****2.1 Rates and charges**

<b>2018</b>	<b>2017</b>
<b>\$'000</b>	<b>\$'000</b>

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 2017/18 was \$28,159 million (2016/17 \$27,871 million). The 2017/18 residential rate in the dollar was 0.2559 cents (2016/17 0.2509 cents). Differential rating factors are used for the purpose of applying variable rates according to land use.

General Rates	94,547	91,335
Waste management charge	6,885	6,673
Supplementary rates and rate adjustments	570	540
Interest on rates and charges	496	376
Revenue in lieu of rates	667	326
<b>Total rates and charges</b>	<b>103,165</b>	<b>99,250</b>

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

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

**2.2 Statutory fees and fines**

Infringements and costs	2,425	2,078
Town planning fees	1,800	1,571
Permits	620	641
Land information certificates	89	90
Court recoveries	9	10
<b>Total statutory fees and fines</b>	<b>4,943</b>	<b>4,390</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.

**2.3 User fees**

Aged and health services	2,678	3,294
Parking	903	917
Leisure centre and recreation	626	264
Child care/children's programs	459	468
Registration and other permits	383	330
Roads and drains	361	352
Town planning	329	171
Building services	314	299
Facilities	226	231
Other fees and charges	630	703
<b>Total user fees</b>	<b>6,909</b>	<b>7,029</b>

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

## 2.4 Funding from other levels of government

Grants were received in respect of the following :

### Summary of grants

Commonwealth funded grants

State funded grants

**Total grants received**

2018	2017
\$'000	\$'000
8,751	10,038
6,658	4,329
<b>15,409</b>	<b>14,367</b>

### (a) Operating Grants

#### **Recurrent - Commonwealth Government**

Financial Assistance Grants

Aged home and community care

Family Youth and children

Food services

2,785

3,878

4,785

5,012

243

253

16

-

#### **Recurrent - State Government**

Aged home and community care

School crossing supervisors

Libraries

Maternal and child health

Recreation

Community safety

Family Youth and children

Food services

Public health

Beach cleaning

Other

1,330

1,304

253

186

627

610

720

711

24

33

13

23

616

488

7

17

138

133

104

137

33

66

**Total recurrent operating grants**

**11,694**

**12,851**

#### **Non-recurrent - Commonwealth Government**

Aged care

498

124

#### **Non-recurrent - State Government**

Infrastructure

Aged care

Libraries

Recycling

Recreation

Other

150

184

26

25

115

-

102

-

50

-

24

26

**Total non-recurrent operating grants**

**965**

**359**

**Total operating grants**

**12,659**

**13,210**

### (b) Capital Grants

#### **Recurrent - Commonwealth Government**

Roads to recovery

**Total recurrent capital grants**

#### **Non-recurrent - State Government**

Recreation

Infrastructure

Family Youth and children

**Total non-recurrent capital grants**

**Total capital grants**

667

770

667

770

1,124

356

959

30

-

1

2,083

387

**2,750**

**1,157**

	2018 \$'000	2017 \$'000
<b>(c) Unspent grants received on condition that they be spent in a specific manner</b>		
Balance at start of year	138	159
Received during the financial year and remained unspent at balance date	350	138
Received in prior years and spent during the financial year	(138)	(159)
Balance at year end	<u>350</u>	<u>138</u>

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

## 2.5 Contributions

Monetary	5,330	6,269
<b>Total contributions</b>	<u>5,330</u>	<u>6,269</u>

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

## 2.6 Net gain/(loss) on disposal of property, infrastructure, plant and equipment

Proceeds of sale	144	770
Written down value of assets disposed	(629)	(491)
<b>Total net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>	<u>(485)</u>	<u>279</u>

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

## 2.7 Other income

Interest	1,609	1,381
Investment property rental	2,161	2,069
Other rent	588	459
Other	274	472
<b>Total other income</b>	<u>4,632</u>	<u>4,381</u>

Interest is recognised as it is earned.

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

<b>Note 3 The cost of delivering services</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
<b>3.1 Employee costs</b>		
Wages and salaries	47,945	46,133
Superannuation	4,303	4,152
Casual staff	1,670	1,575
WorkCover	515	532
Fringe benefits tax	9	4
Other	311	269
<b>Total employee costs</b>	<b>54,753</b>	<b>52,665</b>
<b>(b) Superannuation</b>		
Council made contributions to the following funds:		
<b>Defined benefit fund</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	350	360
	<u>350</u>	<u>360</u>
Employer contributions payable at reporting date.	-	-
<b>Accumulation funds</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	2,323	2,163
Employer contributions - other funds	1,633	1,629
	<u>3,956</u>	<u>3,792</u>
Employer contributions payable at reporting date.	206	203
Refer to note 8.3 for further information relating to Council's superannuation obligations.		
<b>3.2 Materials and services</b>		
Contract payments	17,507	17,258
Building maintenance	5,269	4,686
General maintenance	7,535	5,890
Utilities	3,111	2,967
Office administration	1,948	1,886
Information technology	1,603	1,481
Insurance	787	1,084
Consultants	2,870	2,719
Other	650	761
<b>Total materials and services</b>	<b>41,280</b>	<b>38,732</b>
<b>3.3 Depreciation and amortisation</b>		
Property	2,990	3,084
Plant and equipment	2,290	2,443
Infrastructure	19,275	13,833
<b>Total depreciation</b>	<b>24,555</b>	<b>19,360</b>

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

	2018 \$'000	2017 \$'000
<b>3.4 Bad and doubtful debts</b>		
Parking fine debtors	356	147
Other debtors	(25)	14
<b>Total bad and doubtful debts</b>	<b>331</b>	<b>161</b>

**Movement in provisions for doubtful debts**

Balance at the beginning of the year	1,816	1,661
New Provisions recognised during the year	301	161
Amounts already provided for and written off as uncollectible	29	5
Amounts provided for but recovered during the year	(31)	(11)
Balance at end of year	<b>2,115</b>	<b>1,816</b>

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

**3.5 Borrowing costs**

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

**3.6 Other expenses**

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	66	65
Auditors' remuneration - Internal	84	116
Councillors' allowances	249	236
Operating lease rentals	1,090	1,010
<b>Total other expenses</b>	<b>1,489</b>	<b>1,427</b>

**Note 4 Our financial position**

**4.1 Financial assets**

**(a) Cash and cash equivalents**

Cash on hand	3	4
Cash at bank	911	101
Term deposits	1,800	4,265
<b>Total cash and cash equivalents</b>	<b>2,714</b>	<b>4,370</b>

**(b) Other financial assets**

Term deposits - current	67,000	54,000
Term deposits - non-current	-	1,000
<b>Total other financial assets</b>	<b>67,000</b>	<b>55,000</b>
<b>Total financial assets</b>	<b>69,714</b>	<b>59,370</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 4.3)	4,793	4,037
Total restricted funds	4,793	4,037
Total unrestricted cash and cash equivalents	(2,079)	333
Other financial assets - term deposits Note 4.1	67,000	55,000
<b>Total unrestricted cash and cash equivalents and other financial assets</b>	<b>64,921</b>	<b>55,333</b>

**Intended allocations**

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

	2018 \$'000	2017 \$'000
- Cash held to fund future infrastructure capital works	20,604	14,877
- Cash held to fund recreation land works	9,178	6,466
- Cash held to fund carried forward capital works	6,947	3,924
- Cash held to fund future loan repayments	6,600	5,075
- Cash held to fund carried forward waste management works	4,561	5,001
- Cash held to fund unexpended grants	350	138
- Cash held to fund car park reserves	222	222
- Cash held to fund street tree planting works	198	246
- Cash held to fund Port Phillip woollen mill works	166	133
Total funds subject to intended allocations	<b>48,826</b>	<b>36,082</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.

**(c) Trade and other receivables****Current***Statutory receivables*

Rates debtors	6,045	5,813
Net GST receivable	892	1,500
Infringement debtors	2,680	2,192
Provision for doubtful debts - infringements	(1,937)	(1,580)

*Non statutory receivables*

Loans and advances to community organisations	32	32
Other debtors	1,104	1,098
Provision for doubtful debts - other debtors	(178)	(236)
Total current trade and other receivables	<b>8,638</b>	<b>8,819</b>

**Non-current***Non statutory receivables*

Other debtors	44	63
Loans and advances to community organisations	227	259
Total non-current trade and other receivables	<b>271</b>	<b>322</b>

**Total trade and other receivables**

**8,909**      **9,141**

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.

**(a) Ageing of Receivables**

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

Past due by up to 30 days	646	599
Past due between 31 and 180 days	392	147
Past due between 181 and 365 days	(27)	133
Past due by more than 1 year	218	337
Total trade & other receivables	<b>1,229</b>	<b>1,216</b>

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

At balance date, other debtors representing financial assets with a nominal value of \$1.229 million (2017: \$1.216 million) were impaired. The amount of the provision raised against these debtors was \$178,000 (2017: \$235,000). 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:

Past due between 31 and 180 days	46	61
Past due between 181 and 365 days	45	59
Past due by more than 1 year	87	115
Total trade & other receivables	<b>178</b>	<b>235</b>

**4.2 Non-financial assets****(a) Inventories**

	2018	2017
	\$'000	\$'000
Inventories held for distribution	27	24
<b>Total inventories</b>	<b>27</b>	<b>24</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	874	675
Accrued income	504	473
<b>Total other assets</b>	<b>1,378</b>	<b>1,148</b>

**4.3 Payables****(a) Trade and other payables**

Trade payables	9,133	12,383
Accrued expenses	1,449	1,408
<b>Total trade and other payables</b>	<b>10,582</b>	<b>13,791</b>

**(b) Trust funds and deposits**

Refundable deposits	4,793	4,037
Fire services levy	1,252	1,276
Other refundable deposits	156	145
<b>Total trust funds and deposits</b>	<b>6,201</b>	<b>5,458</b>

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

*Purpose and nature of items*

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

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

**4.4 Interest-bearing liabilities****Non-current**

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.

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 measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs. The Council determines the classification of its interest bearing liabilities at initial recognition.

#### 4.5 Provisions

	Employee	Total
	\$ '000	\$ '000
<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 rate	(9)	(9)
Balance at the end of the financial year	<b>13,421</b>	<b>13,421</b>
<b>2017</b>		
Balance at beginning of the financial year	13,373	13,373
Additional provisions	3,890	3,890
Amounts used	(3,887)	(3,887)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(112)	(112)
Balance at the end of the financial year	<b>13,264</b>	<b>13,264</b>
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Employee provisions</b>		
<b>Current provisions expected to be wholly settled within 12 months</b>		
Annual leave	3,494	3,497
Time in lieu	84	66
Long service leave	6,134	6,006
	<b>9,712</b>	<b>9,569</b>
<b>Current provisions expected to be wholly settled after 12 months</b>		
Annual leave	857	874
Long service leave	2,045	2,002
	<b>2,902</b>	<b>2,876</b>
Total current employee provisions	<b>12,613</b>	<b>12,445</b>
<b>Non-current</b>		
Long service leave	808	819
Total non-current employee provisions	<b>808</b>	<b>819</b>
Aggregate carrying amount of employee provisions:		
Current	12,613	12,445
Non-current	808	819
Total aggregate carrying amount of employee provisions	<b>13,421</b>	<b>13,264</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	1.91% to 2.46%	1.61% to 2.4%
- index rate	2%	2%

#### 4.6 Financing arrangements

The Council has the following funding arrangements in place as at 30 June 2018.

Bank overdraft	700	700
Credit card facilities	300	300
Other facilities	14,200	14,200
Total facilities	<b>15,200</b>	<b>15,200</b>
Used facilities	(14,291)	(14,260)
Unused facilities	<b>909</b>	<b>940</b>

#### 4.7 Commitments

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

	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
<b>2018</b>					
<b>Operating</b>					
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
Consultancies	-	-	-	-	-
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
Drainage	-	-	-	-	-
<b>Total</b>	<b>3,240</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,240</b>

	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
<b>2017</b>					
<b>Operating</b>					
Garbage collection	3,525	3,525	3,243	-	10,293
Open space management	927	927	-	-	1,854
Roads and footpaths	304	77	-	-	381
Building facilities	3,004	-	-	-	3,004
Information and communications	156	94	-	-	250
Other	1,217	646	81	-	1,944
Utilities	138	-	-	-	138
Cleaning contracts for council buildings	118	-	-	-	118
Meals for delivery	670	670	2,009	470	3,819
<b>Total</b>	<b>10,059</b>	<b>5,939</b>	<b>5,333</b>	<b>470</b>	<b>21,801</b>
<b>Capital</b>					
Buildings	1,079	101	-	-	1,180
Roads	1,214	-	-	-	1,214
Drainage	58	-	-	-	58
Other	109	-	-	-	109
<b>Total</b>	<b>2,460</b>	<b>101</b>	<b>-</b>	<b>-</b>	<b>2,561</b>

	2018 \$'000	2017 \$'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	751	1,097
Later than one year and not later than five years	1,678	1,713
Later than five years	-	37
	<b>2,429</b>	<b>2,847</b>

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 5 Assets we manage</b>		<b>2018</b>	<b>2017</b>
<b>5.1 Non current assets classified as held for sale</b>		<b>\$'000</b>	<b>\$'000</b>
Transfer from Land		147	-
<b>Total non current assets classified as held for sale</b>		<b>147</b>	<b>-</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 only regarded as met 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.

**5.2 Property, infrastructure, plant and equipment**  
**Summary of property, infrastructure, plant and equipment**

	At Fair Value 30 June 2017 \$'000	Prior year adjustment \$'000	Additions \$'000	Revaluation \$'000	Depreciation \$'000	Disposal \$'000	Reclassification \$'000	Useful life adjustments \$'000	Transfers \$'000	At Fair Value 30 June 2018 \$'000	Total by category \$'000
Property	621,372	1,438	3,957	94,150	(3,236)	(569)	(16,769)	-	1,649	701,992	<b>707,899</b>
Plant and equipment	8,608	-	2,395	-	(2,289)	(60)	-	-	-	8,654	<b>8,766</b>
Infrastructure	374,924	63,205	15,837	20,998	(12,008)	-	16,769	(7,023)	3,005	475,707	<b>477,676</b>
Work in progress	5,579	-	7,211	-	-	-	-	-	(4,802)	7,988	-
	1,010,484	64,643	29,400	115,148	(17,533)	(629)	-	(7,023)	(148)	1,194,342	<b>1,194,342</b>

**Summary of Work in Progress (WIP)**

	Opening WIP \$'000	Additions \$'000	Transfers \$'000	Closing WIP \$'000
Property	850	68	(918)	-
Furniture & Fittings	-	112	-	112
Buildings	2,433	5,271	(1,797)	5,907
Infrastructure	2,296	1,760	(2,087)	1,969
Total	5,579	7,211	(4,802)	7,988

**Prior year adjustments for found assets**

As a result of audits of Drainage, Bridges and Other Assets Council has been able to identify assets not previously recognised. These omissions have been corrected by restating each affected financial statement line item for the prior year.

The value of land and heritage buildings has been adjusted to include previously omitted items. This error has occurred as a result of historical data collection methods.

	As reported \$'000	Prior period adjustment \$'000	Restated \$'000
<i>Prior year adjustments for found assets</i>			
Land	469,026	1,406	470,432
Heritage Buildings	16,276	32	16,308
Other assets	1,156	4,836	5,992
Bridges	2,803	12,095	14,898
Drainage	92,416	46,274	138,690
	581,677	64,643	646,320

Asset recognition thresholds and depreciation periods

	Depreciation Period	Threshold Limit \$'000
Land & land improvements		
land	-	1
Buildings		
buildings	50 years	2,000
heritage buildings	150 years	2,000
Plant and Equipment		
heritage plant and equipment	-	1
plant, machinery and equipment	3 - 10 years	500
computers and telecommunications	3 - 5 years	1
furniture fixtures and fittings	5 - 20 years	1,000
library books	5 years	1
Infrastructure		
roads - pavements and substructure	70 years	5,000
roads - kerb, channel and minor culverts	70 years	5,000
roads - surface	30 years	5,000
bridges - deck and substructure	50 - 100 years	5,000
footpaths and cycleways	40 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 open space and streetscapes	10 - 50 years	1,000

(a) Property

	Land - specialised	Land improvements	Total Land & Land Improvements	Heritage buildings	Buildings - specialised	Buildings - non specialised	Total Buildings	Work In Progress	Total Property
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2017	469,026	19,572	488,598	21,250	147,955	32,825	202,030	3,283	693,911
Accumulated depreciation at 1 July 2017	-	(2,557)	(2,557)	(4,974)	(61,725)	-	(66,699)	-	(69,256)
	469,026	17,015	486,041	16,276	86,230	32,825	135,331	3,283	624,655
<b>Movements in fair value</b>									
Additions	-	-	-	53	3,904	-	3,957	5,339	9,296
Revaluation	94,965	-	94,965	1,877	(184)	2,585	4,278	-	99,243
Disposal	-	-	-	-	(649)	-	(649)	-	(649)
Prior year adjustments for found assets	1,406	-	1,406	179	-	-	179	-	1,585
Reclassification	-	(19,572)	(19,572)	-	-	-	-	-	(19,572)
Transfers	(147)	-	(147)	-	1,796	-	1,796	(2,715)	(1,066)
	96,224	(19,572)	76,652	2,109	4,867	2,585	9,561	2,624	88,837
<b>Movements in accumulated depreciation</b>									
Depreciation and amortisation	-	(246)	(246)	(211)	(2,779)	-	(2,990)	-	(3,236)
Accumulated depreciation of disposals	-	-	-	-	80	-	80	-	80
Prior year adjustments for found assets	-	-	-	(147)	-	-	(147)	-	(147)
Revaluation	-	-	-	(925)	(4,168)	-	(5,093)	-	(5,093)
Reclassification	-	2,803	2,803	-	-	-	-	-	2,803
	-	2,557	2,557	(1,283)	(6,867)	-	(8,150)	-	(5,593)
At fair value 30 June 2018	565,250	0	565,250	23,359	152,822	35,410	211,591	5,907	782,748
Accumulated depreciation at 30 June 2018	-	-	-	(6,257)	(68,592)	-	(74,849)	-	(74,849)
	565,250	0	565,250	17,102	84,230	35,410	136,742	5,907	707,899

(b) Plant and Equipment

	Heritage plant and equipment	Plant machinery and equipment	Fixtures and furniture	Computers and telecomms	Library books	Work In Progress	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2017	1,519	8,790	7,635	5,317	10,382	-	33,643
Accumulated depreciation at 1 July 2017	-	(5,290)	(6,456)	(4,188)	(9,099)	-	(25,035)
	1,519	3,500	1,177	1,129	1,283	-	8,608
<b>Movements in fair value</b>							
Additions	30	1,169	108	458	630	112	2,507
Disposal	-	(557)	-	(148)	-	-	(705)
	30	612	108	310	630	112	1,802
<b>Movements in accumulated depreciation</b>							
Depreciation and amortisation	-	(1,021)	(212)	(538)	(518)	-	(2,289)
Accumulated depreciation of disposals	-	503	-	142	-	-	645
	-	(518)	(212)	(396)	(518)	-	(1,644)
At fair value 30 June 2018	1,549	9,402	7,743	5,627	11,012	112	35,445
Accumulated depreciation at 30 June 2018	-	(5,808)	(6,670)	(4,584)	(9,617)	-	(26,679)
	1,549	3,594	1,073	1,043	1,395	112	8,766

(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	Work In Progress	Total Infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2017	393,665	3,197	74,001	182,861	34,131	3,452	63	7,281	4,619	2,297	705,567
Accumulated depreciation at 1 July 2017	(173,133)	(394)	(48,654)	(90,445)	(9,037)	(2,503)	(3)	(714)	(3,463)	-	(328,346)
	220,532	2,803	25,347	92,416	25,094	949	60	6,567	1,156	2,297	377,221
<b>Movements in fair value</b>											
Additions	4,452	57	2,002	2,460	1,272	-	4,586	948	60	1,760	17,597
Revaluation	-	3,500	-	(19,011)	-	-	-	-	-	-	(15,511)
Disposal	-	-	-	-	(25)	-	-	-	(66)	-	(91)
Prior year adjustments for found assets	-	18,526	-	68,095	-	-	-	-	6,416	-	93,037
Transfers	373	34	81	489	193	-	858	968	9	(2,088)	917
Reclassification	-	-	-	-	(11,484)	-	31,056	-	-	-	19,572
	4,825	22,117	2,083	52,033	(10,044)	-	36,500	1,916	6,419	(328)	115,521
<b>Movements in accumulated depreciation</b>											
Depreciation and amortisation	(6,329)	(113)	(1,872)	(2,238)	(731)	(40)	(295)	(181)	(209)	-	(12,008)
Accumulated depreciation of disposals	-	-	-	-	25	-	-	-	66	-	91
Prior year adjustments for found assets	-	(6,431)	-	(21,821)	-	-	-	-	(1,580)	-	(29,832)
Revaluation	-	(549)	-	37,058	-	-	-	-	-	-	36,509
Reclassification	-	-	-	-	2,591	-	(5,394)	-	-	-	(2,803)
Useful life adjustments	(6,813)	-	(210)	-	-	-	-	-	-	-	(7,023)
	(13,142)	(7,093)	(2,082)	12,999	1,885	(40)	(5,689)	(181)	(1,723)	-	(15,066)
At fair value 30 June 2018	398,490	25,314	76,084	234,894	24,087	3,452	36,563	9,197	11,038	1,969	821,088
Accumulated depreciation at 30 June 2018	(186,275)	(7,487)	(50,736)	(77,446)	(7,152)	(2,543)	(5,692)	(895)	(5,186)	-	(343,412)
	212,215	17,827	25,348	157,448	16,935	909	30,871	8,302	5,852	1,969	477,676

#### *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.

#### *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 in 5.2 and are consistent with the prior year with the exception of the below items which were amended following an assessment of their useful lives.

	Depreciation Period	
	2018	2017
roads - pavements and substructure	70 years	100 years
roads - kerb, channel and minor culverts and other	70 years	50 years
roads - surface	30 years	20 years
bridges - deck and substructure	50 - 100 years	100 years
footpaths and cycleways	40 years	30 - 50 years
drainage	50 - 100 years	50 - 100 years
waste management	50 years	5 - 15 years
off street car parks	30 - 70 years	50 years

#### *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 Stephen Davey, AAPI CPV, valuer registration no.63379 of Opteon Property Group. 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 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 2018 are as follows:

	Level 1	Level2	Level 3	Date of Valuation
Land	-	3,187	562,063	Jun-18
Heritage Buildings	-	-	23,359	Jun-18
Buildings	-	35,410	152,822	Jun-18
Total	-	38,597	738,244	

#### **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 2017, 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. A condition audit of Drainage was conducted during the current year and the valuations were based on current supply unit rates adjusted for new quantities.

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 2018 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
Roads	-	-	398,490	Jun-17
Bridges	-	-	25,314	Jun-18
Footpaths and cycleways	-	-	76,084	Jun-17
Drainage	-	-	234,894	Jun-18
Recreational, leisure and community facilities	-	-	24,087	at cost
Waste management	-	-	3,452	at cost
Parks, open space and streetscapes	-	-	36,563	at cost
Off street car parks	-	-	9,197	at cost
Other infrastructure	-	-	11,038	at cost
Total	-	-	819,119	

#### **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 \$3.26 and \$4,623.40 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 \$19,649 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.

	2018 \$'000	2017 \$'000
<b>Reconciliation of specialised land</b>		
Community facilities	57,813	49,126
Parks and reserves	487,383	402,496
Other	20,054	17,404
<b>Total specialised land</b>	<b>565,250</b>	<b>469,026</b>

	2018 \$'000	2017 \$'000
<b>5.3 Investment property</b>		
Balance at beginning of financial year	9,600	9,005
Fair value adjustments	3,804	595
Balance at end of financial year	13,404	9,600

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 Stephen Davey, AAPA CPV, valuer registration no. 63379 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.

**5.4 Other financial assets**

*Non-current other financial assets*

Unlisted shares at cost - Regional Kitchen Pty Ltd	230	230
<i>Total Non-current other financial assets</i>	230	230

Note 6 People and relationships		2018	2017
6.1 Council and key management remuneration		No.	No.
<b>(a) Related Parties</b>			
<i>Parent entity</i>			
Hobsons Bay City Council is the parent entity.			
<b>(b) Key Management Personnel</b>			
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 Angela Altair (Mayor 10 November 2017 to 30 June 2018)		
	Councillor Sandra Wilson (Mayor 1 July 2017 to 10 November 2018)		
	Councillor Tony Briffa		
	Councillor Colleen Gates		
	Councillor Peter Hemphill		
	Councillor Michael Grech		
	Councillor Jonathon Marsden		
<b>Total Number of Councillors</b>		7	10
<b>Chief Executive Officer and other Key Management Personnel</b>		6	7
<b>Total Key Management Personnel</b>		13	17
<b>(c) Remuneration of Key Management Personnel</b>		<b>2018</b>	<b>2017</b>
		<b>\$'000</b>	<b>\$'000</b>
Total remuneration of key management personnel was as follows:			
Short-term benefits		1,521	1,482
Long-term benefits		143	160
Termination benefits		-	203
<b>Total</b>		<b>1,664</b>	<b>1,845</b>
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:		<b>2018</b>	<b>2017</b>
		<b>No.</b>	<b>No.</b>
\$1 - \$9,999		-	4
\$10,000 - \$19,999		-	3
\$20,000 - \$29,999		6	2
\$40,000 - \$49,999		1	1
\$60,000 - \$69,999		1	1
\$110,000 - \$119,999		-	1
\$230,000 - \$249,999		1	-
\$250,000 - \$259,999		-	1
\$260,000 - \$269,999		1	2
\$280,000 - \$289,999		2	-
\$300,000 - \$309,999		1	-
\$340,000 - \$359,999		-	2 *
		13	17
*Includes termination payment.			
<b>(d) Senior Officer Remuneration</b>			
A Senior Officer is an officer of Council, other than Key Management Personnel, who:			
a) has management responsibilities and reports directly to the Chief Executive; or			
b) whose total annual remuneration exceeds \$145,000			
The number of Senior Officers are shown below in their relevant income bands:			
<b>Income Range:</b>		<b>No.</b>	<b>No.</b>
< \$142,000		-	5
\$142,000 - \$149,999		1	-
\$150,000 - \$159,999		1	4
\$160,000 - \$169,999		4	4
\$170,000 - \$179,999		4	4
\$180,000 - \$189,999		8	4
\$190,000 - \$199,999		-	3
\$200,000 - \$209,999		2	-
\$250,000 - \$259,999		1 *	-
		21	24
Total Remuneration for the reporting year for Senior Officers included above, amounted to		3,818,000	3,830,000
*Includes termination payment.			

	2018 \$'000	2017 \$'000
<b>6.2 Related party disclosures</b>		
<b>(a) Transactions with related parties</b>		
During the period were no reportable transactions entered into by Council with related parties.		
<b>(b) Outstanding balances with related parties</b>		
There were no balances outstanding at the end of the reporting period in relation to transactions with related parties	-	-
<b>(c) Loans to or from related parties</b>		
The aggregate amount of loans in existence at balance date that have been made, guaranteed or secured by the council to a related party are as follows:	-	-
<b>(d) Commitments to or from related parties</b>		
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 7 Managing uncertainties

### 7.1 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 40 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:

	2018 \$'000	2017 \$'000
Not later than one year	1,433	1,530
Later than one year and not later than five years	2,662	3,022
Later than five years	5,092	4,416
	9,187	8,968

#### (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 2019 are \$362,000.

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.

	2018 \$'000	2017 \$'000
Altona Sports Centre - Loan guarantee	1,500	1,500

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

## 7.2 Change in accounting standards

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

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

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

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

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

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

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

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

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

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

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

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

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

### 7.3 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. 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
- 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.

Council has also assessed that 72% of parking infringement debts owing to Council are unlikely to be collected and has raised a provision for doubtful debts over those debts based on an assessment of collectability. The collection of long overdue parking infringement debts is managed by fines Victoria.

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 7.1(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 maturity bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and

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 7.1(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 4.4.

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 2.55%.

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.

### **7.4 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

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 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.

### **7.5 Events occurring after balance date**

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

**Note 8 Other matters**

**8.1 Reserves**

**(a) Asset revaluation reserves**

**2018**

**Property**

Land & land improvements	373,824	94,965	468,789
Heritage buildings	-	952	952
Buildings	6,428	(1,767)	4,661
	380,252	94,150	474,402

**Infrastructure**

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

**Total asset revaluation reserves**

**609,144 115,148 724,292**

**2017**

**Property**

Land & land improvements	338,768	35,056	373,824
Buildings	6,428	-	6,428
	345,196	35,056	380,252

**Infrastructure**

Roads	194,513	(35,780)	158,733
Footpaths and cycleways	26,743	(14,179)	12,564
Drainage	57,595	-	57,595
	278,851	(49,959)	228,892

**Total asset revaluation reserves**

**624,047 (14,903) 609,144**

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

**(b) Other reserves**

**2018**

	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
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>

**2017**

Car park reserve	222	-	-	222
Infrastructure reserve	7,818	7,859	(800)	14,877
Recreation land fund reserve	4,335	4,131	(2,000)	6,466
Developer contribution reserve	26	-	(26)	-
Street tree planting reserve	289	79	(122)	246
Capital works carryover reserve	2,689	3,924	(2,689)	3,924
Discretionary loan repayment reserve	3,550	1,525	-	5,075
Grants commission reserve	-	1,323	-	1,323
Port Phillip woollen mill reserve	-	190	(57)	133
Waste management sinking fund	5,217	284	(500)	5,001
<b>Total Other reserves</b>	<b>24,146</b>	<b>19,315</b>	<b>(6,194)</b>	<b>37,267</b>

	2018	2017
8.2 Reconciliation of cash flows from operating activities to surplus	\$'000	\$'000
Surplus for the year	20,673	23,589
Depreciation/amortisation	24,555	19,360
Profit/(loss) on disposal of property, infrastructure, plant and equipment	485	(279)
Fair value adjustments for investment property	(3,804)	(595)
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	232	(770)
Increase in prepayments	(199)	(190)
Increase in accrued income	(31)	(90)
Increase in trade and other payables	222	742
Increase in trust funds and deposits	743	443
(Increase)/decrease in inventories	(3)	7
Increase/(Decrease) in provisions	157	(110)
Net cash provided by operating activities	<b>43,030</b>	<b>42,107</b>

### 8.3 Superannuation

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

#### Accumulation

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

#### Defined Benefit

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

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

#### Funding arrangements

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

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

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

Vision Super has advised that the estimated VBI at June 2018 was 106.2%.

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

### **Employer contributions**

#### **Regular contributions**

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

#### **Funding calls**

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

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

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

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

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

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

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

#### **2018 interim actuarial investigation**

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

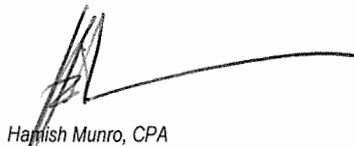
### **8.4 Prior period adjustments**

As an outcome of audits of Drainage, Bridges and Other Assets Council has been able to identify assets not previously recognised. In addition, these errors have been corrected by restating each affected financial statement line item at 1 July 2017. As a result of historical data collection methods the value of land and heritage buildings has been misstated. The impact of each is set out in the table below:

	At 30 June 2017	Prior period adjustments	At 1 July 2017 as restated
	\$'000	\$'000	\$'000
Property, infrastructure, plant and equipment	1,010,484	64,643	1,075,127
<b>Total non-current assets</b>	1,021,636	64,643	1,086,279
<b>Total assets</b>	1,089,997	64,643	1,154,640
<b>Net assets</b>	1,043,284	64,643	1,107,927
<b>Equity</b>			-
Accumulated surplus	396,873	64,643	461,516
<b>Total Equity</b>	1,043,284	64,643	1,107,927

## Certification of the Performance Statements

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



Hamish Munro, CPA

**Principal Accounting Officer**

Date : 18 September 2018

Altona

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

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

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

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



Councillor Angela Altair

**Mayor**

Date : 18 September 2018

Altona



Councillor Sandra Wilson

**Councillor**

Date : 18 September 2018

Altona



Aaron van Egmond

**Chief Executive Officer**

Date : 18 September 2018

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 2018</li> <li>• sustainable capacity indicators for the year ended 30 June 2018</li> <li>• service performance indicators for the year ended 30 June 2018</li> <li>• financial performance indicators for the year ended 30 June 2018</li> <li>• other information and</li> <li>• the certification of the performance statement.</li> </ul> <p>In my opinion, the performance statement of Hobsons Bay City Council in respect of the year ended 30 June 2018 presents fairly, in all material respects, 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>. I and my staff are independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the performance statement in Victoria and have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Councillors' responsibilities for the performance statement</b>	<p>The Councillors 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 determines is necessary to enable the preparation and fair presentation of the statement of performance that is free from material misstatement, whether due to fraud or error.</p>
<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 Engagements will always detect a material misstatement when it exists.</p>

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Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of this performance statement.

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

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

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

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MELBOURNE  
20 September 2018

  
Tim Loughnan  
as delegate for the Auditor-General of Victoria

The background image is a composite. The main part is a blue-tinted photograph of a skateboarder in mid-air, performing a trick on a concrete ramp. The skateboarder is wearing a helmet, a dark jacket, and shorts. In the background, there are flags and a beach. In the top right corner, there is a smaller, pink-tinted photograph of a long wooden pier extending into the ocean at sunset or sunrise, with a sandy beach in the foreground.

# Performance Statement

For the year ended  
30 June 2017



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

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

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

In 2017, Hobsons Bay had an estimated resident population of 94,984 people, which is forecast to increase to 107,039 by 2030. Thirty one per cent of our residents are born overseas, speaking over 100 different languages and practising over 90 faiths.

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



# Sustainable Capacity Indicators

For the year ended 30 June 2018

Indicator/measure	Results				Material Variations and Comments
	2015	2016	2017	2018	
<b>Population</b>					
Expenses per head of municipal population [Total expenses / Municipal population]	\$1,202.71	\$1,244.26	\$1,209.64	\$1,300.43	
Infrastructure per head of municipal population [Value of infrastructure / Municipal population]	\$6,033.88	\$6,098.93	\$6,283.51	\$6,623.13	
Population density per length of road [Municipal population / Kilometres of local roads]	210.99	214.72	216.19	219.87	
<b>Own-source revenue</b>					
Own-source revenue per head of municipal population [Own-source revenue / Municipal population]	\$1,150.53	\$1,189.51	\$1,241.27	\$1,299.73	
<b>Recurrent grants</b>					
Recurrent grants per head of municipal population [Recurrent grants / Municipal population]	\$155.40	\$130.26	\$149.69	\$140.30	
<b>Disadvantage</b>					
Relative Socio-Economic Disadvantage [Index of Relative Socio-Economic Disadvantage by decile]	7.00	7.00	7.00	7.00	

## Definitions

"adjusted underlying revenue" means total income other than:

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

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

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

"population" means the resident population estimated by council

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

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

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

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

# Service Performance Indicators

For the year ended 30 June 2018

Service/indicator/measure	Results				Material Variations and Comments
	2015	2016	2017	2018	
<b>Aquatic Facilities</b>					
<b>Utilisation</b> <i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	0.00	0.00	0.00	0.00	Council does not have operational control of the aquatic facilities in its municipality and therefore the indicators are not reported on.
<b>Animal Management</b>					
<b>Health and safety</b> <i>Animal management prosecutions</i> [Number of successful animal management prosecutions]	0.00	1.00	0.00	0.00	No animal management prosecutions required. This number remains low as Council is committed to community education regarding responsible pet ownership
<b>Food Safety</b>					
<b>Health and safety</b> <i>Critical and major non-compliance outcome notifications</i> [Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises] x100	75.00%	98.78%	90.32%	92.47%	
<b>Governance</b>					
<i>Satisfaction with council decisions</i> [Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]	65.50	69.00	64.00	64.00	
<b>Home and Community Care (HACC)</b>					
<b>Participation</b> <i>Participation in HACC service</i> [Number of people that received a HACC service / Municipal target population for HACC services] x100	17.00%	17.07%	Reporting Ceased 1 July 2016	Reporting Ceased 1 July 2016	Reporting on HACC ceased on 1 July 2016 due to the introduction of the Commonwealth Government's NDIS and CHSP programs
<b>Participation</b> <i>Participation in HACC service by CALD people</i> [Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x100	12.00%	12.27%	Reporting Ceased 1 July 2016	Reporting Ceased 1 July 2016	
<b>Libraries</b>					
<b>Participation</b> <i>Active library members</i> [Number of active library members / Municipal population] x100	23.00%	21.74%	19.15%	18.80%	Whilst the number of active library members in the municipality shows a decline over the past four years, visitation is higher, demonstrating a change in consumer behaviour due to a more diverse library service offering.

## Service Performance Indicators cont.

For the year ended 30 June 2018

Service/indicator/measure	Results				Material Variations and Comments
	2015	2016	2017	2018	
<b>Maternal and Child Health (MCH)</b>					
<b>Participation</b> <i>Participation in the MCH service</i> [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100	76.00%	74.27%	72.47%	74.42%	
<b>Participation</b> <i>Participation in the MCH service by Aboriginal children</i> [Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100	77.00%	64.84%	60.20%	75.00%	Following data migration issues experienced in previous years, accuracy of data extracted from Child Development Information System (CDIS) has increased this year. Result is better compared to pre migration result in 2014-15.
<b>Roads</b>					
<b>Satisfaction</b> <i>Satisfaction with sealed local roads</i> [Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]	64.00	70.00	69.00	62.00	Despite the rating remaining within the satisfied category as per previous years, there has been an increase in dissatisfaction in the Altona Meadows, Seabrook and Laverton areas as compared to last year.

Service/indicator/measure	Results				Material Variations and Comments
	2015	2016	2017	2018	
<b>Statutory Planning</b>  <b>Decision making</b> <i>Council planning decisions upheld at VCAT</i> [Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100	62.00%	57.45%	50.00%	70.69%	Council is continuing to make sound decisions in line with the Hobsons Bay Planning Scheme. Applications are often altered as part of the VCAT process, which means the Tribunal considers a different set of plans to what the Council originally considered. Mediated outcomes are not included in this result.
<b>Waste Collection</b>  <b>Waste diversion</b>  <i>Kerbside collection waste diverted from landfill</i> [Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100	47.00%	46.88%	47.89%	46.33%	

#### Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"population" means the resident population estimated by council

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

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

# Financial Performance Indicators

For the year ended 30 June 2018

Dimension/ <i>indicator/measure</i>	Results				Forecasts				Material Variations and Comments
	2015	2016	2017	2018	2019	2020	2021	2022	
<b>Efficiency</b>									
<b>Revenue level</b>									
<i>Average residential rate per residential property assessment</i> [Residential rate revenue / Number of residential property assessments]	\$1,621.50	\$1,697.27	\$1,770.62	\$1,778.97	\$1,932.17	\$1,975.64	\$2,020.09	\$2,065.55	
<b>Expenditure level</b>									
<i>Expenses per property assessment</i> [Total expenses / Number of property assessments]	\$2,722.91	\$2,785.00	\$2,785.75	\$2,957.28	\$2,914.07	\$2,999.16	\$3,096.84	\$3,175.06	
<b>Workforce turnover</b>									
<i>Resignations and terminations compared to average staff</i> [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	5.42%	13.72%	11.32%	13.60%	11.15%	11.15%	11.15%	11.15%	There is no specific reason why terminations were higher in 2017-18 than the prior year, although it does include 14 employees who resigned from permanent roles to take up temporary or casual roles during the year.

Dimension/ <i>indicator/measure</i>	Results				Forecasts				Material Variations and Comments
	2015	2016	2017	2018	2019	2020	2021	2022	
<b>Liquidity</b>									
<b>Working capital</b>									
<i>Current assets compared to current liabilities</i> [Current assets / Current liabilities] x100	144.97%	184.22%	215.69%	271.82%	216.50%	195.88%	144.82%	148.77%	The increased ratio is consistent with an increased level of cash at year end, largely a result of the improved operational and capital works results in 2017-18, as well as capital works expenditure that has been delayed until the 2018-19 year. Council's cash reserves also include a significant amount of additional income received in 2017-18 that has been transferred to reserves to ensure that it is used for their intended future purpose. The increased cash is required for future loan principal repayments, waste requirements and growing future creditor and employee leave commitments. In addition, operational and capital works savings are being transferred to an infrastructure reserve to fund future year's capital works.

Dimension/indicator/measure	Results				Forecasts				Material Variations and Comments
	2015	2016	2017	2018	2019	2020	2021	2022	
<b>Unrestricted cash</b>									
Unrestricted cash compared to current liabilities [Unrestricted cash / Current liabilities] x100	0.80%	-31.92%	-38.11%	-69.90%	-23.45%	-39.60%	-36.92%	-26.39%	The negative results since 2015-16 are offset by other financial assets (investments) of \$67 million in 2017-18, which are investments held for periods over 90 days. These investments are not included in the unrestricted cash figure but are used to fund Council's ongoing operations and liabilities. The forecast results are slightly different to those outlined in the 2018-19 budget.

Dimension/indicator/measure	Results				Forecasts				Material Variations and Comments
	2015	2016	2017	2018	2019	2020	2021	2022	
<b>Obligations</b>									
Asset renewal Asset renewal compared to depreciation [Asset renewal expense / Asset depreciation] x100	83.41%	100.81%	102.15%	72.63%	139.30%	126.81%	120.33%	121.40%	The significant decrease to the indicator in 2017-18 is largely a result of a significant (one-off) increase to depreciation mainly relating to a change in accounting estimates for roads, footpaths and cycleway assets whereby adjustments were made to the useful lives used to calculate depreciation.
<b>Loans and borrowings</b>									
Loans and borrowings compared to rates [Interest bearing loans and borrowings / Rate revenue] x100	15.49%	14.88%	14.36%	13.76%	13.19%	12.86%	12.53%	4.30%	

## Financial Performance Indicators cont.

For the year ended 30 June 2018

Dimension/indicator/measure	Results				Forecasts				Material Variations and Comments
	2015	2016	2017	2018	2019	2020	2021	2022	
<i>Loans and borrowings repayments compared to rates</i> [Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100	10.90%	5.77%	0.63%	0.61%	0.58%	0.57%	0.55%	8.22%	
<b>Indebtedness</b> <i>Non-current liabilities compared to own source revenue</i> [Non-current liabilities / Own source revenue] x100	9.65%	14.02%	12.96%	12.16%	12.46%	12.18%	4.75%	4.66%	
<b>Operating position</b> <b>Adjusted underlying result</b> <i>Adjusted underlying surplus (or deficit)</i> [Adjusted underlying surplus (deficit)/ Adjusted underlying revenue] x100	9.53%	8.04%	15.89%	12.78%	11.46%	11.62%	10.94%	10.93%	The ratio in 2017-18 is comparable to future estimates and previous results, apart from the higher ratio in 2016-17. The significant increase during 2016-17 was mainly the result of receiving a year and a half worth of Victorian Grants Commission funding during the year.

Dimension/ <i>indicator/measure</i>	Results				Forecasts				Material Variations and Comments
	2015	2016	2017	2018	2019	2020	2021	2022	
<b>Stability</b>									
<b>Rates concentration</b>									
Rates compared to adjusted underlying revenue [Rate revenue / Adjusted underlying revenue] x100	75.65%	77.70%	73.62%	72.85%	78.38%	78.00%	78.10%	78.16%	
<b>Rates effort</b>									
Rates compared to property values [Rate revenue / Capital improved value of rateable properties in the municipality] x100	0.38%	0.39%	0.35%	0.36%	0.29%	0.30%	0.31%	0.31%	

#### Definitions

"adjusted underlying revenue" means total income other than:

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

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

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

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

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

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

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

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

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

"population" means the resident population estimated by council

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

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

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

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

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

## Other Information

For the year ended 30 June 2018

### 1. Basis of preparation

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

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

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

The forecast figures included in the performance statement are those adopted by Council in its strategic resource plan on 27 June 2017 and which forms part of the council plan. The strategic resource plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The strategic resource plan can be obtained by contacting Council.







**HOBSONSBAY CITY COUNCIL**



## **HOBSONSBAY CITY COUNCIL**

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**HOBSONSBAY  
LANGUAGE LINE**

**9932 1212**

**INTERPRETER SERVICE FOR ALL LANGUAGES**

**Your Council in your language**

Recorded Council information in:

English	العربية	Ελληνικά
Italiano	ကဠိကျိန်	Tiếng Việt
粵語	Македонски	普通话

