

Darebin City Council Annual Financial Report

For the Year Ended 30 June 2018



Darebin City Council

Financial Report

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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.

Allan Cochrane CPA
Principal Accounting Officer

Melbourne
3 September 2018

In our opinion, the accompanying financial statements present fairly the financial transactions of the Darebin 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 circumstance which would render any particulars in the financial report 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.

Kim Le Cerf
Councillor

Susanne Rennie
Councillor

Sue Wilkinson
Chief Executive Officer

Melbourne
3 September 2018

Comprehensive Income Statement
For the Year Ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Income			
Rates and charges	2.1	123,315	119,474
Statutory fees and fines	2.2	9,205	8,650
User fees	2.3	11,574	12,924
Grants - operating	2.4	15,946	18,228
Grants - capital	2.4	2,222	2,103
Contributions	2.5	5,990	5,495
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	2.6	713	682
Fair value adjustments for investment property	5.2	(302)	275
Other income	2.7	3,893	3,762
Total Income		172,556	171,593
Expenses			
Employee costs	3.1	80,902	77,854
Materials and services	3.2	50,292	45,008
Bad and doubtful debts	3.4	1,563	1,373
Depreciation and amortisation	3.3	23,003	22,055
Other expenses	3.5	4,927	3,676
Total expenses		160,687	149,966
Surplus/(deficit) for the year		11,869	21,627
Other comprehensive income			
Items that will not be classified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	8.1	149,876	69,542
Total comprehensive result		161,745	91,169

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

Balance Sheet
As at 30 June 2018

	Note	2018 \$'000	2017 \$'000
Assets			
Current assets			
Cash and cash equivalents	4.1	43,480	47,035
Trade and other receivables	4.1	12,855	13,140
Other financial assets	4.1	42,286	27,846
Inventories	4.2	89	67
Other assets	4.2	3,695	3,596
Total current assets		102,405	91,684
Non-current assets			
Trade and other receivables	4.1	176	185
Other financial assets	4.1	236	236
Property, infrastructure, plant and equipment	5.1	1,458,568	1,299,929
Investment property	5.2	2,840	3,142
Intangible assets	4.2	665	781
Total non-current assets		1,462,485	1,304,273
Total assets		1,564,890	1,395,957
Liabilities			
Current liabilities			
Trade and other payables	4.3	17,419	11,662
Trust funds and deposits	4.3	5,335	5,034
Provisions	4.4	19,568	18,618
Total current liabilities		42,322	35,314
Non-current liabilities			
Provisions	4.4	1,954	1,774
Total non-current liabilities		1,954	1,774
Total liabilities		44,276	37,088
Net assets		1,520,614	1,358,869
Equity			
Accumulated surplus		540,836	534,108
Reserves	8.1	979,778	824,761
Total equity		1,520,614	1,358,869

The above balance sheet should be read 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
2018					
Balance at beginning of the financial year		1,358,869	534,108	811,699	13,062
Surplus/(deficit) for the year		11,869	11,869	0	0
Net asset revaluation increment/(decrement)	8.1	149,876	0	149,876	0
Transfers to other reserves	8.1	0	(9,243)	0	9,243
Transfers from other reserves	8.1	0	4,102	0	(4,102)
Balance at end of financial year		1,520,614	540,836	961,575	18,203

		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2017					
Balance at beginning of the financial year		1,267,700	506,524	742,157	19,019
Surplus / (deficit) for the year		21,627	21,627	0	0
Net asset revaluation increment/(decrement)	8.1	69,542	0	69,542	0
Transfers to other reserves	8.1	0	(4,843)	0	4,843
Transfers from other reserves	8.1	0	10,800	0	(10,800)
Balance at end of financial year		1,358,869	534,108	811,699	13,062

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

Statement of Cash Flows
For the Year Ended 30 June 2018

	Note	2018 Inflows/ (Outflows) \$'000	2017 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		122,959	118,384
Statutory fees and fines		7,928	8,014
User fees (inclusive of GST)		13,409	16,131
Grants - operating		16,188	17,996
Grants - capital		2,222	2,103
Contributions - monetary		5,737	5,077
Interest received		2,376	1,284
Net trust funds and deposits		352	311
Other receipts		1,586	1,684
Net GST refund/(payment)		7,550	5,789
Employee costs		(78,498)	(77,678)
Materials and services (inclusive of GST)		(61,097)	(58,734)
Net FSPL receipt/(payment)		(51)	53
Net cash provided by/(used in) from operating activities	8.2	40,661	40,414
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	5.1	(30,529)	(30,617)
Proceeds from sale of property, infrastructure, plant and equipment		744	559
Payments for investments		(14,440)	(8,682)
Repayment of loans and advances		9	(80)
Net cash provided by/(used in) investing activities		(44,216)	(38,820)
Net increase (decrease) in cash and cash equivalents		(3,555)	1,594
Cash and cash equivalents at the beginning of the financial year		47,035	45,441
Cash and cash equivalents at the end of the financial year	4.1	43,480	47,035
Financing arrangements	4.5		
Restrictions on cash assets	4.1		

The above statement of cash flows should be read with the accompanying notes.

Statement of Capital Works
For the Year Ended 30 June 2018

	2018	2017
Note	\$'000	\$'000
Property		
Land	0	7,683
Buildings	6,521	3,625
Total buildings	6,521	3,625
Total property	6,521	11,308
Plant and equipment		
Plant, machinery and equipment	3,408	2,063
Fixtures, fittings and furniture	138	137
Computers and telecommunications	790	1,389
Library books	562	734
Total plant and equipment	4,898	4,323
Infrastructure		
Roads	6,849	7,127
Bridges	712	134
Footpath and cycleways	3,945	3,420
Drainage	1,812	586
Land improvements	4,194	315
Parks, open space and streetscapes	3,828	4,184
Off street car parks	53	37
Total infrastructure	21,393	15,803
Total capital works expenditure	32,812	31,434
Represented by:		
New asset expenditure	5,764	10,969
Asset renewal expenditure	22,892	17,078
Asset expansion expenditure	544	286
Asset upgrade expenditure	3,612	3,101
Total capital works expenditure	32,812	31,434

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

OVERVIEW

Introduction

The Darebin City Council was established by an Order of the Governor in Council on 22 June 1994 and is a body corporate. Council's main office is located at 274 Gower Street, Preston.

Statement of compliance

These financial statements are a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Capital Works and Notes accompanying these financial statements. The general purpose financial report complies with Australian Accounting Standards, 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 5.1)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 5.1)
- the determination of employee provisions (refer to Note 4.4)

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

Note 1 Performance against budget

The budget comparison 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 10 percent or 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 22 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 revenue and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. 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	Actual	Variance	Variance	
	2018	2018	2018	2018	
	\$'000	\$'000	\$'000	%	Ref
Income					
Rates and charges	124,187	123,315	(872)	-1%	
Statutory fees and fines	8,348	9,205	857	10%	I1
User fees	11,229	11,574	345	3%	
Grants - operating	14,850	15,946	1,096	7%	
Grants - capital	3,163	2,222	(941)	-30%	I2
Contributions - monetary	5,000	5,737	737	15%	I3
Contributions - non-monetary	0	253	253	+100%	I4
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	610	713	103	17%	I5
Fair value adjustments for investment property	0	(302)	(302)	+100%	I6
Other income	2,794	3,893	1,099	39%	I7
Total income	170,181	172,556	2,375		
Expenses					
Employee costs	81,860	80,902	958	1%	
Materials and services	48,125	50,292	(2,167)	-5%	E1
Bad and doubtful debts	876	1,563	(687)	-78%	E2
Depreciation and amortisation	22,784	23,003	(219)	-1%	
Other expenses	3,736	4,927	(1,191)	-32%	E3
Total expenses	157,381	160,687	(3,306)		
Surplus/(deficit) for the year	12,800	11,869	(931)		
Other comprehensive income					
Items that will not be classified to surplus or deficit in future periods					
Net asset revaluation increment/(decrement)	0	149,876	149,876	+100%	O1
Total comprehensive result	12,800	161,745	148,945		

Note 1 Performance against budget

(i) Explanation of material variations

Var Ref	Item	Explanation
I1	Statutory fees and fines	Statutory fees and fines were exceeded due to an increase in statutory planning fees (\$0.2 million) and fines for traffic enforcement (\$0.7 million).
I2	Grants - capital	Capital grants and contributions were not achieved due to new funding not being received for the construction of Beavers Road bridge (\$1.25 million) and funding for the Inner city netball program (\$0.7 million) which was received in the previous year. Roads to Recovery funding which was due to be received in the previous year was received in 2017/18 (\$1.05 million).
I3	Contributions - monetary	Contributions - monetary were exceeded due to higher than anticipated open space contributions received from developments undertaken within the municipality (\$0.6 million).
I4	Contributions - non-monetary assets	Contributions - non-monetary assets were exceeded due to contributed infrastructure assets from development received during the year. Contributed assets are not budgeted for during the year.
I5	Net gain/(loss) on disposal of property, infrastructure, plant and equipment	Anticipated net loss on disposal of property, infrastructure, plant and equipment was not achieved as it was more than offset by higher than anticipated sale proceeds received for some large fleet items replaced during the year.
I6	Fair value adjustments for investment property	Fair value adjustment for investment property was not achieved due to a decrease in the fair value of the Sullivan Reserve stadium land (\$0.4 million). Fair value movements in investment property are not budgeted for during the year.
I7	Other income	Budgeted other income was exceeded due to higher interest on investments (\$0.6 million) and larger than anticipated recoup for workcover (\$0.4 million) and paid parental leave (\$0.2 million).
E1	Materials and services	Materials and services was exceeded due to a higher than anticipated major maintenance expenditure which was originally anticipated as capital works expenditure. This includes purchases or projects not recognised as assets in accordance with Council's asset capitalisation policy thresholds (see Note 5). Projects include, Bicycle friendly roads (\$0.4 million), Urban forest strategy (\$0.2 million), NARC feasibility (\$0.4 million) and IT strategy implementation (\$0.4 million).
E2	Bad and doubtful debts	Bad and doubtful debts was exceeded mainly due to a higher provision for doubtful debts required for traffic fines, animal registrations and miscellaneous local law fines (\$0.7 million) .
E3	Other expenses	Other expenses was exceeded mainly due to legal fees incurred for development issues and employee relations (\$0.3 million) and the write-off of land beneath electricity substations which was transferred to utility companies for no consideration (\$0.8 million).
O1	Net asset revaluation increment/(decrement)	This item was exceeded due to an increases in Land, Building and infrastructure asset which were all revalued during the year.

Note 1 Performance against budget

1.2 Capital Works

	Budget 2018 \$'000	Actual 2018 \$'000	Variance 2018 \$'000	Variance 2018 %	Ref
Property					
Buildings	7,358	6,030	(1,328)	-18%	CW1
Building improvements	1,154	491	(663)	-57%	CW2
Total Buildings	8,512	6,521	(1,991)		
Total Property	8,512	6,521	(1,991)		
Plant and Equipment					
Plant, machinery and equipment	5,458	3,408	(2,050)	-38%	CW3
Fixtures, fittings and furniture	177	138	(39)	-22%	CW4
Computers and telecommunications	3,034	790	(2,244)	-74%	CW5
Library books	789	562	(227)	-29%	CW6
Total Plant and Equipment	9,458	4,898	(4,560)		
Infrastructure					
Roads	6,999	5,661	(1,338)	-19%	CW7
Bridges	3,417	712	(2,705)	-79%	CW8
Footpaths and cycleways	3,690	3,945	255	7%	
Drainage	1,621	1,812	191	12%	CW9
Land improvements	2,908	2,567	(341)	+100%	CW10
Recreational, leisure and community facilities	386	514	128	33%	CW11
Parks, open space and streetscapes	9,087	4,940	(4,147)	-46%	CW12
Off street car parks	46	53	7	15%	
Other infrastructure	1,203	1,189	(14)	-1%	
Total Infrastructure	29,357	21,393	(7,964)		
Total Capital Works Expenditure	47,327	32,812	(14,515)		
Represented by:					
New asset expenditure	9,985	5,764	(4,221)		
Asset renewal expenditure	27,766	22,892	(4,874)		
Asset expansion expenditure	1,265	544	(721)		
Asset upgrade expenditure	8,311	3,612	(4,699)		
Total Capital Works Expenditure	47,327	32,812	(14,515)		

Note 1 Performance against budget

(i) Explanation of material variations

Var Ref	Item	Explanation
CW1	Buildings	The budget for buildings was not achieved largely due to delays completing works on the Multisport Stadium (\$1.10 million), WH Robinson Reserve pavilion (\$0.7 million), Office accomodation (\$0.4 million) and public convenience works (\$0.2 million).
CW2	Building improvements	The budget for building improvements was not achieved largely due to delays in environmental sustainable building upgrades at Council facilities (\$0.2 million) and neighbourhood houses accessibility works (\$0.2 million).
CW3	Plant, machinery and equipment	The budget for plant, machinery and equipment was not achieved due to delays in the delivery of a number of heavy and light vehicles purchased late in the reporting period (\$1.6 million), Chiller / boiler replacement at Preston Civic Centre (\$0.2 million) and a number of purchases not recognised as assets in accordance with Council's policy (see Note 5 (\$0.4 million).
CW4	Fixtures, fittings and furniture	The budget for fixtures, fittings and furniture was not achieved due to a number of purchases not recognised as assets in accordance with Council's policy (see Note 5).
CW5	Computers and telecommunications	The budget for computers and telecommunications was not achieved due to delays in the implementation of planned IT strategy and ERP replacement upgrade (\$1.0 million), Council's customer service platform (\$0.3 million) and IT intergration platform (\$0.2 million).
CW6	Library books	The budget for Library books was not achieved due to a number of purchases not recognised as assets in accordance with Council's policy (see Note 5 (\$0.2 million).
CW7	Roads	The budget for roads was not achieved due to delays in the federally funded Myrtle Grove, Cornwell Street and Simpson Street reconstructions (\$0.5 million), Edwin Street reconstruction (\$0.3 million) and bicycle friendly road works (\$0.5 million).
CW8	Bridges	The budget for bridges was not achieved due to delays in completing the Beavers Road bridge (\$2.4 million).
CW9	Drainage	The budget for drainage was exceeded due to additional works undertaken for the DISC stormwater harvest & flood mitigation works (\$1.1 million). External funding for these works has been sought.
CW11	Land improvements	The budget for land improvements was exceeded largely due to the resurfacing of the DISC synthetic soccer fields (\$2.5 million).
CW12	Parks, open space and streetscapes	The budget for parks, open space and streetscapes was not achieved largely due to delays completing works including play space upgrades (\$0.6 million), sportsfield lighting (\$0.4 million), Streetscape upgrades (\$1.0 million) and the inner city netball program (\$0.9 million).

	2018 \$'000	2017 \$'000
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Note 2 Funding for the delivery of our services

2.1 Rates and charges

Council uses Capital Improved Value as the basis of valuation of all properties within the municipal district. Capital Improved Value means the sum which land and all its improvements 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 \$46,208,273,361 (2016/17: \$45,637,043,061).

General rates	118,702	115,217
Cultural and recreational properties	32	30
Green waste services	2,418	2,297
Special rates and charges	337	329
Supplementary rates and rate adjustments	1,321	1,113
Interest on rates and charges	505	488
Total rates and charges	123,315	119,474

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2016, and the valuation was first applied in the rating year commencing 1 July 2016.

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

Animal registration	612	626
Building services	979	931
Environmental health	756	662
Statutory planning	1,981	1,815
Traffic enforcement	3,307	3,298
Infringement court recoveries	1,337	1,007
Other statutory fees and fines	233	311
Total statutory fees and fines	9,205	8,650

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	1,044	1,223
Arts and culture	2,027	2,314
Family, children and community programs	185	198
Golf course attendance	941	911
Leisure centres and recreation	3,873	3,858
Library	197	210
Recycling	577	795
Registrations and other permits	2,571	2,671
Other fees and charges	159	744
Total user fees	11,574	12,924

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

	2018 \$'000	2017 \$'000
2.4 Funding from other levels of government		
Grants were received in respect of the following:		
Summary of grants		
Commonwealth funded grants	11,675	12,874
State funded grants	6,493	7,457
Total grants	18,168	20,331
Operating Grants		
Recurrent - Commonwealth Government		
Diesel fuel rebate scheme	88	85
Centre based care	352	441
General home care	5,614	5,364
Financial assistance grant - general purpose	3,215	5,553
Financial assistance grant - local roads	882	1,281
Recurrent - State Government/Other		
Centre based care	13	11
Disability resource	182	179
Family support	450	428
General home care	883	1,540
Health & safety	116	114
Immunisation	150	144
Libraries	956	935
Maternal and child health	1,218	1,273
Metro access	139	132
Playgroup Initiatives	237	131
School crossings	474	313
Youth services	43	40
Other programs	6	15
Total recurrent operating grants	15,018	17,979
Non-recurrent Commonwealth Government		
Other programs	0	5
Non-recurrent State Government / Other		
Immunisation	101	0
Maternal and child health	130	0
Strategic Planning- Northland Urban Renewal	150	0
Recycling Services	146	0
Darebin Speak	60	0
Youth Services	96	0
Other programs	245	244
Total non-recurrent operating grants	928	249
Total operating grants	15,946	18,228
Capital Grants		
Recurrent - Commonwealth Government		
Roads to recovery	1,523	145
Recurrent State Government / Other		
Minor Works	18	18
Total recurrent capital grants	1,541	163

	2018 \$'000	2017 \$'000
2.4 Grants (continued)		
<i>Non-recurrent State Government / Other</i>		
Active Transport	0	50
Aged & disability	0	35
Minor works	10	57
Bicycle Friendly Roads	100	0
Pavilion Upgrades	180	0
Public Convenience Works	100	0
Outdoor Sports Facility	0	204
Inner City Netball	291	1,547
Safe travel projects	0	47
Total non-recurrent capital grants	681	1,940
Total capital grants	2,222	2,103
Total grants	18,168	20,331
Unspent grants received on condition that they be spent in a specific manner		
Balance at start of year	4,415	2,022
Received during the financial year and remained unspent at balance date	2,655	3,901
Received in prior years and spent during the financial year	(2,022)	(1,508)
Balance at end of year	5,048	4,415

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

2.5 Contributions

(a) Monetary

Drainage and open space	5,386	4,843
Other capital and minor works	351	234
Monetary	5,737	5,077
Non-monetary	253	418
Total contributions	5,990	5,495

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

Land	36	50
Land under roads	10	39
Roads	12	94
Drainage	195	235
Total non-monetary contributions	253	418

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 - Right of ways	590	656
Proceeds of sale - Other assets	793	570
Write down value of assets disposed	(670)	(544)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	713	682

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

	2018 \$'000	2017 \$'000
2.7 Other income		
Interest on investments, loans and advances	1,853	1,715
Property rental and leases	454	363
Workers compensation insurance recovery	416	523
Other recovery of costs	1,170	1,161
Total other income	3,893	3,762

Interest is recognised as it is earned.

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

Note 3 The cost of delivering services

3.1 Employee costs

Wages, salaries and related oncosts	65,873	62,907
Casual staff	6,013	5,875
Superannuation	7,537	7,904
Personal gratuity leave	118	112
WorkCover	1,010	668
Fringe benefits tax	351	388
Total employee costs	80,902	77,854

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	919	1,020
Employer contributions - other funds	0	0
	919	1,020

Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	4,572	4,916
Employer contributions - other funds	2,046	1,968
	6,618	6,884

Employer contributions payable at reporting date.	514	540
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Refer to Note 8.3 for further information relating to Council's superannuation obligations.

	2018 \$'000	2017 \$'000
3.2 Materials and services		
Advertising, marketing and promotions	668	536
Apprentices and trainees	481	467
Banking fees and charges	400	374
Consultants	2,449	1,494
Contract payments for goods and services	27,588	23,567
Facility rental and hire	368	186
Fleet parts, consumables and registration	817	707
Fuel and oil	939	930
Insurances and excess	1,365	1,475
License fees	114	122
Materials and consumables	2,179	2,448
Memberships and subscriptions	270	294
Minor equipment purchases	495	327
Office administration	3,358	3,283
Repairs and maintenance	4,675	5,242
Other supplies and services	577	82
Utilities	3,549	3,474
Total materials and services	50,292	45,008

3.3 Depreciation and amortisation		
Property	5,838	5,760
Plant and equipment	4,654	4,442
Infrastructure	12,044	11,429
Total depreciation	22,536	21,631
Intangibles	467	424
Total depreciation and amortisation	23,003	22,055

Refer to Note 4.2 (c) & 5.1 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

3.4 Bad and doubtful debts		
Parking fine debtors	192	246
Parking related debtors - Fines Victoria	1,202	688
Other debtors	169	439
Total bad and doubtful debts	1,563	1,373

(b) Movement in Provision for Doubtful Debts

Balance at the beginning of the year	5,147	4,365
New provisions recognised during the year	1,668	1,306
Amounts already provided for and written off as uncollectible	(546)	(524)
Amounts provided for but recovered during the year	0	0
Balance at end of year	6,269	5,147

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

	2018 \$'000	2017 \$'000
3.5 Other expenses		
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	73	71
Auditors' remuneration - internal audit	136	137
Community grants and other contributions	1,857	1,535
Councillors' emoluments	368	345
Fire services levies	111	113
Lease payments	122	142
Legal expenses	1,047	861
Fines Victoria processing costs	169	119
Special rate payments	302	316
Write off of property, infrastructure and plant and equipment	742	37
Total other expenses	4,927	3,676

	2018 \$'000	2017 \$'000
Note 4 Our financial position		
4.1 Financial assets		
(a) Cash and cash equivalents		
Cash on hand	20	19
Cash at bank	902	710
Money market call accounts	24,919	24,472
Term deposits	17,639	21,834
	<u>43,480</u>	<u>47,035</u>
Restrictions		
Council's cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:		
- Developer contribution scheme	5,630	6,104
- Drainage development reserve	23	23
- Public resort and recreation reserve	10,123	6,708
- Fire Services Property Levy payable	27	77
- Contractor and security deposits (see Note 4.3 (b))	5,309	4,957
Total restricted funds	<u>21,112</u>	<u>17,869</u>
Total unrestricted cash and cash equivalents	<u>22,368</u>	<u>29,166</u>
Intended allocations		
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:		
- Cash held to fund carried forward capital works	5,854	11,335
- Car park development reserve	228	228
- Unspent conditional grants	5,048	4,415
Total funds subject to intended allocations	<u>11,130</u>	<u>15,978</u>
(b) Other financial assets		
Current		
Term deposits	42,286	27,846
Non-current		
Unlisted shares in corporations at cost	236	236
Total other financial assets	<u>42,522</u>	<u>28,082</u>
Total financial assets	<u>86,002</u>	<u>75,117</u>

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, being market value, at balance date. Term deposits are measured at amortised cost. Unlisted shares are valued at the lower of cost and net realisable amount. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.

The shares in unlisted corporations reflect Council's holdings in Maps Group Limited, Regional Kitchen Pty Ltd, and RFK Pty Ltd.

	2018 \$'000	2017 \$'000
(c) Trade and other receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	7,144	7,150
Special rate assessment	1,030	1,210
Infringement debtors	6,338	5,061
Less: Provision for doubtful debts - infringements	(5,328)	(3,907)
<i>Non statutory receivables</i>		
Other debtors	2,938	3,067
Less: Provision for doubtful debts - other	(942)	(1,240)
GST receivable	1,666	1,790
Loans and advances	9	9
Total current trade and other receivables	<u>12,855</u>	<u>13,140</u>
Non-current		
<i>Non statutory receivables</i>		
Loans and advances	176	185
Total non-current trade and other receivables	<u>176</u>	<u>185</u>
Total trade and other receivables	<u><u>13,031</u></u>	<u><u>13,325</u></u>

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

(a) Ageing of Receivables

At balance date other debtors representing financial assets were past due but not impaired. The ageing of the Council's trade & other receivables (excluding statutory receivables) was:

Current (not yet due)	618	796
Past due by up to 30 days	211	288
Past due between 31 and 60 days	508	189
Past due between 61 and 90 days	517	209
Past due above 90 days	1,084	1,585
Total trade and other receivables	<u>2,938</u>	<u>3,067</u>

(c) Ageing of individually impaired Trade and Other Receivables

At balance date, other debtors representing financial assets with a nominal value of \$950,000 (2017: \$1,262,000) were impaired. The amount of the provision raised against these debtors was \$942,000 (2017: \$1,240,000). 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:

Over 3 months	950	1,262
Total trade and other receivables	<u>950</u>	<u>1,262</u>

	2018 \$'000	2017 \$'000	
4.2 Non-financial assets			
(a) Inventories			
Inventories held for distribution	51	26	
Inventories held for sale	38	41	
Total inventories	89	67	
<p>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.</p>			
(b) Other assets			
Accrued income	1,550	1,337	
Prepayments	2,145	2,259	
Total other assets	3,695	3,596	
(c) Intangible assets			
Software and system development costs	538	654	
Water access rights	127	127	
Total Intangible assets	665	781	
	Software	Water rights	Total
	\$'000	\$'000	\$'000
Gross carrying amount			
Balance at 1 July 2017	4,834	127	4,961
Other additions	351	0	351
Balance at 30 June 2018	5,185	127	5,312
Accumulated amortisation and impairment			
Balance at 1 July 2017	(4,180)	0	(4,180)
Amortisation expense	(467)	0	(467)
Balance at 30 June 2018	(4,647)	0	(4,647)
Net book value at 30 June 2017	654	127	781
Net book value at 30 June 2018	538	127	665

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

	2018 \$'000	2017 \$'000
4.3 Payables		
(a) Trade and other payables		
Trade payables	14,778	10,304
Employee costs	2,577	1,305
Unearned revenue	64	53
Total trade and other payables	17,419	11,662
(b) Trust funds and deposits		
Contractor and security deposits	5,112	4,723
Fire Services Property Levy payable	26	77
Retention amounts	197	234
Total trust funds and deposits	5,335	5,034

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

Contractor and security 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 and other Council assets.

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

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

4.4 Provisions

	Employee \$'000	Other \$'000	Total \$'000
2018			
Balance at beginning of the financial year	20,347	45	20,392
Additional provisions	7,707	0	7,707
Amounts used	(6,894)	0	(6,894)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	317	0	317
Balance at the end of the financial year	21,477	45	21,522
2017			
Balance at beginning of the financial year	20,390	45	20,435
Additional provisions	7,120	0	7,120
Amounts used	(6,398)	0	(6,398)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(765)	0	(765)
Balance at the end of the financial year	20,347	45	20,392

	2018 \$'000	2017 \$'000
4.4 Provisions (continued)		
(a) Employee provisions		
Current employee provisions expected to be wholly settled within 12 months		
Annual leave	4,117	3,803
Long service leave	1,477	1,341
Personal gratuity	268	255
Redundancy	377	182
	<u>6,239</u>	<u>5,581</u>
Current employee provisions expected to be wholly settled after 12 months		
Annual leave	2,300	2,371
Long service leave	9,098	8,660
Personal gratuity	1,886	1,961
Redundancy	0	0
	<u>13,284</u>	<u>12,992</u>
Total current employee provisions	<u>19,523</u>	<u>18,573</u>
Non-current		
Long service leave	1,954	1,774
Total non-current employee provisions	<u>1,954</u>	<u>1,774</u>
Aggregate carrying amount of employee provisions:		
Current	19,568	18,618
Non-current	1,954	1,774
Total aggregate carrying amount of employee provisions	<u>21,522</u>	<u>20,392</u>
The calculation of employee costs and benefits includes all relevant on-costs and are calculated as follows at reporting date.		
<i>Wages and salaries and annual leave</i>		
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 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.		
<i>Long service leave</i>		
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.		
<i>Personal gratuity leave</i>		
Liabilities for personal gratuity leave expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.		
Liabilities that are not expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits as current liabilities, measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.		
The following assumptions were adopted in measuring present values of employee benefits:		
	%	%
Weighted average rates of increase in employee costs	3.9	2.8
Weighted average discount rates	2.3	2.6
	Years	Years
Weighted average settlement period		
Long Service Leave	4.0	3.5
Annual Leave	2.2	3.0
(b) Other provisions		
Current	45	45
Total current provisions	<u>19,568</u>	<u>18,618</u>

	2018 \$'000	2017 \$'000
4.5 Financing arrangements		
Credit card facility	43	43
Used facilities	15	25
Unused facilities	28	18

The Council had no access to a bank overdraft facility at balance date.

4.6 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		Later than 5 years \$'000	Total \$'000
		later than 2 years \$'000	later than 5 years \$'000		
2018					
Operating					
Animal welfare services	411	411	1,645	1,509	3,976
Information systems & technology	1,420	0	0	0	1,420
Collection & processing of recyclable waste (i)	298	0	0	0	298
Collection & processing of hard waste (i)	617	0	0	0	617
Cleaning contracts for council buildings	239	0	0	0	239
Golf course management & maintenance	501	501	0	0	1,002
Insurance	1,292	0	0	0	1,292
Valuations	78	0	0	0	78
Waste disposal	262	0	0	0	262
Traffic signal maintenance	52	52	198	0	302
Tree management	631	0	0	0	631
Total	5,801	964	1,843	1,509	10,117
Capital					
Construction works	6,604	0	0	0	6,604
Total	6,604	0	0	0	6,604
2017					
Operating					
Information systems & technology	1,647	0	0	0	1,647
Collection & processing of recyclable waste (i)	1,551	0	0	0	1,551
Collection & processing of hard waste (i)	308	0	0	0	308
Cleaning contracts for council buildings	588	0	0	0	588
Golf course management & maintenance	464	63	63	0	590
Insurance	1,177	0	0	0	1,177
Valuations	67	78	82	0	227
Tree management	735	0	0	0	735
Internal Audit	205	0	0	0	205
Total	6,742	141	145	0	7,028
Capital					
Construction works	2,196	0	0	0	2,196
Total	2,196	0	0	0	2,196

Note (i): All or part of these commitments are calculated based on a contracted rate multiplied by estimated level of service consumption.

	2018	2017
	\$'000	\$'000

Operating lease commitments

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

Not later than one year	236	139
Later than one year and not later than five years	329	261
Later than 5 years	31	33
	<u>596</u>	<u>432</u>

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

Note 5 Assets we manage

5.1 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2017	Acquisitions	Contributions	Revaluation	Depreciation	Disposal	Transfer	At Fair Value 30 June 2018
Land	680,043	0	10	47,454	0	(737)	35	736,805
Buildings	190,767	3,679	0	19,114	(5,838)	(5)	606	208,323
Plant and equipment	18,927	4,424	0	0	(4,654)	(670)	0	18,027
Infrastructure	396,857	18,880	207	83,308	(12,044)	0	1,770	488,978
Work in progress	3,335	5,477	0	0	0	0	(2,377)	6,435
	1,299,929	32,460	217	149,876	(22,536)	(1,412)	34	1,458,568

Summary of Work in Progress

	Opening WIP	Additions	Transfers	Write-offs	Closing WIP
Buildings	1,005	2,842	(606)	0	3,241
Plant and equipment	0	122	0	0	122
Infrastructure	2,330	2,513	(1,771)	0	3,072
Total	3,335	5,477	(2,377)	0	6,435

Asset recognition thresholds and depreciation periods

	Depreciation Period	Threshold Limit
Property		\$
land	-	5,000
land improvements	50 years	5,000
Buildings		
heritage buildings	50 - 80 years	5,000
buildings	50 - 80 years	5,000
building improvements	50 - 80 years	5,000
leasehold improvements	Life of lease	5,000
Plant and Equipment		
vehicles	3 to 10 years	1,000
plant, machinery and parks equipment	5 - 20 years	1,000
fixtures, fittings and furniture	10 years	1,000
computers and telecommunications	3 - 5 years	1,000
library books, tapes, videos and DVDs	3 - 8 years	All
Infrastructure		
road pavements and seals	20 - 30 years	All
road substructure	80 - 120 years	All
road formation and earthworks	-	All
road kerb, channel and minor culverts	40 - 60 years	All
bridges deck	50 - 100 years	All
bridges substructure	50 - 100 years	All
footpaths and cycleways	30 - 50 years	All
drainage including pipes, pits and gross pollutant traps	100 - 120 years	5,000
recreational, leisure and community facilities	10 - 50 years	5,000
waste management	50 years	5,000
parks, open space and streetscapes	10 - 50 years	5,000
off street car parks	10 - 50 years	5,000
Intangible assets		
software and system development costs	3 - 5 years	1,000

(a) Property

	Land - specialised	Land - non specialised	Total Land	Buildings - heritage	Buildings - specialised	Buildings - non specialised	Work in progress	Total Buildings	Total Property
At fair value 1 July 2017	655,501	34,542	690,043	42,600	301,435	11,039	1,005	356,079	1,046,122
Accumulated depreciation at 1 July 2017	0	0	0	(27,334)	(130,887)	(6,086)	0	(164,307)	(164,307)
	655,501	34,542	690,043	15,266	170,548	4,953	1,005	191,772	881,315
Movements in fair value									
Acquisition of assets at fair value	0	0	0	316	3,363	0	2,842	6,521	6,521
Contributed assets	10	0	10	0	0	0	0	0	10
Revaluation increments/decrements	42,352	5,102	47,454	1,399	21,435	751	0	23,585	71,039
Fair value of assets disposed	(737)	0	(737)	0	(1,614)	0	0	(1,614)	(2,351)
Transfers	35	0	35	0	606	0	(606)	0	35
	41,659	5,102	46,762	1,715	23,790	751	2,236	28,492	75,254
Movements in accumulated depreciation									
Depreciation and amortisation	0	0	0	(268)	(5,387)	(183)	0	(5,838)	(5,838)
Accumulated depreciation of disposals	0	0	0	0	1,609	0	0	1,609	1,609
Revaluation increments/decrements	0	0	0	(523)	(3,695)	(253)	0	(4,471)	(4,471)
	0	0	0	(791)	(7,473)	(436)	0	(8,700)	(8,700)
At fair value 30 June 2018	697,161	39,644	736,805	44,315	325,225	11,790	3,241	384,571	1,121,376
Accumulated depreciation at 30 June 2018	0	0	0	(28,125)	(138,360)	(6,522)	0	(173,007)	(173,007)
	697,161	39,644	736,805	16,190	186,865	5,268	3,241	211,564	948,369

(b) Plant and Equipment

	Plant machinery and equipment	Computers and telecomms	Fixtures fittings and furniture	Library books	Artwork & historical collections	Other	Work in progress	Total plant and equipment
At fair value 1 July 2017	17,069	21,471	7,636	8,618	1,760	5,844	0	62,398
Accumulated depreciation at 1 July 2017	(8,771)	(17,434)	(6,810)	(6,068)	0	(4,388)	0	(43,471)
	8,298	4,037	826	2,550	1,760	1,456	0	18,927
Movements in fair value								
Acquisition of assets at fair value	2,438	955	138	562	59	272	122	4,546
Fair value of assets disposed	(2,589)	(413)	0	0	0	0	0	(3,002)
	(151)	542	138	562	59	272	122	1,544
Movements in accumulated depreciation								
Depreciation and amortisation	(2,111)	(1,425)	(136)	(738)	0	(244)	0	(4,654)
Accumulated depreciation of disposals	1,919	413	0	0	0	0	0	2,332
	(192)	(1,012)	(136)	(738)	0	(244)	0	(2,323)
At fair value 30 June 2018	16,918	22,013	7,774	9,180	1,819	6,116	122	63,942
Accumulated depreciation at 30 June 2018	(8,963)	(18,446)	(6,946)	(6,806)	0	(4,632)	0	(45,794)
	7,955	3,567	828	2,374	1,819	1,484	122	18,149

(c) Infrastructure

	Roads	Footpaths and cycleways	Bridges	Drainage	Land improvements	Parks, open spaces and streetscapes	Off street car parks	Work in progress	Total Infrastructure
At fair value 1 July 2017	290,527	106,545	7,980	174,862	48,249	35,698	8,388	2,330	674,579
Accumulated depreciation at 1 July 2017	(108,687)	(53,633)	(3,247)	(73,807)	(15,819)	(15,753)	(4,446)	0	(275,392)
	181,840	52,912	4,733	101,055	32,430	19,945	3,942	2,330	399,187
Movements in fair value									
Acquisition of assets at fair value	6,655	3,945	0	1,728	3,642	2,865	45	2,513	21,393
Contributed assets	12	0	0	195	0	0	0	0	207
Revaluation increments/decrements	4,842	11,317	791	8,309	(787)	0	(160)	0	24,312
Transfers	212	158	0	181	637	582	0	(1,771)	(1)
	11,721	15,420	791	10,413	3,492	3,447	(115)	743	45,911
Movements in accumulated depreciation									
Depreciation and amortisation	(4,793)	(2,203)	(96)	(1,462)	(1,020)	(2,333)	(137)	0	(12,044)
Revaluation increments/decrements	41,740	16,561	2,148	(2,451)	777	0	221	0	58,996
	36,947	14,358	2,052	(3,913)	(243)	(2,333)	84	0	46,952
At fair value 30 June 2018	302,248	121,965	8,771	185,275	51,741	39,145	8,273	3,073	720,491
Accumulated depreciation at 30 June 2018	(71,740)	(39,275)	(1,195)	(77,720)	(16,062)	(18,086)	(4,362)	0	(228,440)
	230,508	82,690	7,576	107,555	35,679	21,059	3,911	3,073	492,051

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 on or after 1 July 2008 is recognised at cost.

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 below and are consistent with the prior year unless otherwise stated.

Repairs and maintenance

Routine maintenance, repair costs, and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

Leasehold improvements

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date, leasehold improvements are amortised over a 15 year period.

Valuation of land and buildings

Valuation of land and buildings were undertaken by a qualified valuer Mr D Archer, AAPI, the City Valuer. The last valuation was undertaken as at 30 June 2018. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

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

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

The date of the current valuation is detailed in the following table. A full revaluation of these assets was conducted in 2017/18.

Details of the Council's land, land improvements and buildings and information about the fair value hierarchy as at 30 June 2018 are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Date of Valuation
2018					
Assets measured at fair value					
Land	0	39,644	697,161	736,805	June 2018
Buildings	0	5,268	203,055	208,323	June 2018
	<u>0</u>	<u>44,912</u>	<u>900,216</u>	<u>945,128</u>	

No transfers between levels occurred during the year

Valuations of infrastructure

Infrastructure includes road surface and substructures, footpaths, kerb and channel, traffic devices parking bays, offstreet car parks, drainage pipes, pits, gross pollutant traps and bridges. The valuations for infrastructure assets were determined by Mr P Wansborough, B Eng (Civil), Co-ordinator Infrastructure Planning. The valuations were performed as at 30 June 2018 on the basis of fair value being the current replacement cost less accumulated depreciation at the date of the valuation.

Road and offstreet car park replacement cost is calculated with reference to a representative range of unit costs received from contractors and other relevant sources. Accumulated depreciation has been assessed with reference to the AUSTRROADS National Pavement Condition Indicators and road condition surveys.

Bridge replacement cost is based on the major components of the structure and sourced from representative bridge construction projects. Accumulated depreciation has been assessed based on knowledge of Council's bridge network and industry standards.

Drainage replacement cost is calculated with reference to a representative range of unit costs received from contractors and other relevant sources. Accumulated depreciation has been assessed based on knowledge of Council's drainage network and industry standards.

Land improvements are valued using the depreciated replacement cost method. This cost represents the replacement cost of the building/component after applying depreciation rates on a useful life basis. Replacement costs relate to costs to produce the property to an "as new" standard. Economic obsolescence has also been factored into the depreciated replacement cost calculation.

Land improvements includes playing surfaces, retarding basins and other land improvements. The valuations for land improvements were determined by Mr D Archer, AAPI, the City Valuer. The valuations were performed as at 30 June 2018 on the basis of fair value being the current replacement cost less accumulated depreciation at the date of the valuation.

The next scheduled full revaluation for this purpose will be conducted in 2020/21.

There were no changes in valuation techniques throughout the period 30 June 2018.

For all assets measured at fair value, the current use is considered the highest and best use.

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2018 are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Date of Valuation
2018					
Assets measured at fair value					
Roads	0	0	230,508	230,508	June 2018
Footpaths & cycleways	0	0	82,690	82,690	June 2018
Bridges	0	0	7,576	7,576	June 2018
Drainage	0	0	107,555	107,555	June 2018
Land improvements	0	0	35,679	35,679	June 2018
Parks, open spaces and streetscapes	0	0	21,059	21,059	June 2018
Offstreet carparks	0	0	3,911	3,911	June 2018
	<u>0</u>	<u>0</u>	<u>488,978</u>	<u>488,978</u>	

No transfers between levels occurred during the year.

Description of significant unobservable inputs into level 3 valuations

Specialised land and land under roads

Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 10% and 90%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$20 and \$3,732 per square metre.

Specialised buildings

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 \$500 to \$8,775 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 50 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets

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 30 years to 120 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. Current replacement cost for infrastructure is calculated as follows;

The condition assessment undertaken of roads and shared paths for the current valuation has resulted in an increase in the estimated remaining useful lives of these assets. The condition assessment detailed an improvement in the network overall condition. Factors contributing to this include; a significant increase in pavement maintenance and resealing and rehabilitaton work over the past 5 years. Condition survey roughness calculated on on all roads has shown improved pavement condition.

Roads and offstreet car parks range between \$28 to \$418 per square metre.

Shared paths and cycleways range between \$48 to \$417 per square metre.

Drainage assets range between \$92 to \$1,785 per unit.

Bridge assets range vary depending on construction type.

	2018	2017
	\$'000	\$'000
Reconciliation of specialised land		
Land under roads	1,074	1,029
Community facilities	69,540	54,677
Council administration & depots	28,598	27,888
Offstreet carparks	14,497	12,668
Parks and reserves	583,452	559,239
Total specialised land	697,161	655,501

5.2 Investment property

Balance at beginning of financial year	3,142	2,867
Fair value adjustments	(302)	275
Balance at end of financial year	<u>2,840</u>	<u>3,142</u>

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

Valuation of investment property

The valuation of investment property has been determined by Mr D Archer, AAPI, the City Valuer, 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.

Note 6 People and relationships
6.1 Council and key management remuneration

(a) Related Parties

Council is the parent entity.

(b) Key Management Personnel

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

Councillors

Stephanie Amir (1/7/2017 - Current)
 Tim Laurence (1/7/2017 - Current)
 Lina Messina (1/7/2017 - Current)
 Susanne Newton (1/7/2017 - Current)
 Julie Williams (1/7/2017 - Current)

Gaetano Greco (1/7/2017 - Current)
 Kim Le Cerf (Mayor 14/11/2017 - Current)
 Trent McCarthy (1/7/2017 - Current)
 Susan Rennie (1/7/2017 - Current)

Chief Executive Officer

Philip Shanahan (2/1/2017 - 15/9/2017)

Sue Wilkinson (18/9/2017 - Current)

Other Key Management Personnel

GM Operations & Capital

Vito Albicini (12/2/2018 - Current)

GM Governance & Engagement

Ingrid Bishop (19/3/2018 - Current)

GM City Sustainability & Strategy

Rachael Ollivier (1/2/2018 - Current)

GM Community

Cathy Henderson (19/3/2018 - Current)

Director Community Development

Katrina Knox (1/7/2017 - 2/2/2018)

Director Corporate Services

Andrew McLeod (1/7/2017 - 26/1/2018)

Director City Futures & Assets

Stephen Hamilton (1/7/2017 - 15/9/2017)

Director Civic Governance & Compliance

Jacinta Stevens (1/7/2017 - 2/2/2018)

Director Operations & Environment

Oliver Vido (1/7/2017 - 9/2/2018)

	2018	2017
	Number	Number
Total Number of Councillors	9	14
Chief Executive Officer and other Key Management Personnel	11	8
Total Key Management Personnel	20	22

(c) Remuneration of Key Management Personnel

	2018	2017
	\$'000	\$'000
Total remuneration of key management personnel was as follows:		
Short-term benefits	1,663	1,738
Post employment benefits	123	117
Long-term benefits	206	170
Termination benefits	301	182
Total	2,293	2,207

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

	2018 Number	2017 Number
\$10,000 - \$19,999	0	4
\$20,000 - \$29,999	0	4
\$30,000 - \$39,999	8	5
\$60,000 - \$69,999	0	2
\$70,000 - \$79,999	4	0
\$80,000 - \$89,999	1	0
\$100,000 - \$109,999	1	1
\$140,000 - \$149,999	0	1
\$150,000 - \$159,999	1	1
\$190,000 - \$199,999	1	0
\$230,000 - \$239,999	0	1
\$260,000 - \$269,999	1	1
\$280,000 - \$289,999	0	1
\$290,000 - \$299,999	1	0
\$310,000 - \$319,999	2	0
\$590,000 - \$599,999	0	1
	<u>20</u>	<u>22</u>

(d) Senior Officers Remuneration

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

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

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

	2018 Number	2017 Number
* < \$145,000	0	4
\$145,000 - \$149,999	2	1
\$150,000 - \$159,999	4	3
\$160,000 - \$169,999	2	2
\$170,000 - \$179,999	2	6
\$180,000 - \$189,999	3	1
\$190,000 - \$199,999	1	2
\$200,000 - \$209,999	0	1
\$210,000 - \$219,999	2	0
\$230,000 - \$239,999	1	0
\$240,000 - \$249,999	1	0
\$260,000 - 269,999	1	0
\$290,000 - \$299,999	1	0
	<u>20</u>	<u>20</u>

Note: * Senior Officer departed during the year

	\$'000	\$'000
Total remuneration for the year for Senior Officers included above amounted to:	<u>3,805</u>	<u>3,341</u>

6.2 Related party disclosure

(a) Transactions with related parties

During the period Council had no reportable transactions with related parties.

(b) Outstanding balances with related parties

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

(c) Loans to/from related parties

Council does not make loans to or receive loans from related parties. No guarantees have been provided.

(d) Commitments to/from related parties

Council has no outstanding commitments to/from other related parties.

Note 7 Managing uncertainties
7.1 Contingent assets and liabilities

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

(a) Contingent assets

Operating lease receivables

Council has entered into commercial property leases on its investment property, consisting of surplus freehold buildings. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 75 years. All leases include a CPI based revision of the rental charge annually.

Future minimum rentals receivable under non-cancellable operating leases at the end of the year are as follows :

	2018	2017
	\$'000	\$'000
Not later than one year	205	340
Later than one year and not later than five years	493	575
Later than 5 years	770	842
	<u>1,468</u>	<u>1,756</u>

(b) Contingent liabilities

Superannuation

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

Future superannuation contributions

In addition to the disclosed contributions, Council has paid unfunded liability payments to Vision Super totalling \$0 during the year 2017/18 year (2016/17 \$0). There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2018. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2019 are \$863,000.

Former landfill sites

Council has responsibility for a number of facilities contained on former landfill sites. Council may have to carry out site rehabilitation works in the future. At balance date, Council is unable to accurately assess the financial implications of such works.

Legal matters

The Council is presently involved in several confidential legal matters, which are being conducted through Council's solicitors. As these matters are yet to be finalised, and the financial outcomes are unable to be reliably estimated, no allowance for these contingencies has been made in the financial report.

7.2 Change in accounting standards

The following new Australian Accounting Standards 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)

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 a financial instrument will fluctuate because of changes in market prices. The Council's exposures to market risk are primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk.

Interest rate risk

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

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

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

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

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

(c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause us to make a financial loss. We have exposure to credit risk on some financial assets included in our balance sheet. To help manage this risk:

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

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

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

Council may also be subject to credit risk for transactions which are not included in the balance sheet, such as when we provide a guarantee for another party. Details of our contingent liabilities are disclosed in Note 7.1.

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 against these financial assets.

(d) Liquidity risk

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

To help reduce these risks Council:

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

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 7.1, 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.

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, the Council believes the following movements are 'reasonably possible' over the next 12 months (Base rates are sourced from Reserve Bank of Australia):

- A parallel shift of +0.5% and -0.5% in market interest rates (AUD) from year-end rates of 2.74%.

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 observable; and

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

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

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

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 2 to 3 years. The valuation is performed either by experienced council officers or independent experts.

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

Impairment of assets

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

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

	Balance at beginning of reporting period \$'000	Increment (decrement) on revaluation \$'000	Share of increment (decrement) on revaluation by an associate \$'000	Balance at end of reporting period \$'000
(a) Asset revaluation				
2018				
Property				
Land	564,634	47,444	0	612,078
Buildings	76,369	19,114	0	95,483
	641,003	66,558	0	707,561
Plant and equipment				
Other	6,143	0	0	6,143
Infrastructure				
Roads	94,360	74,521	0	168,881
Drainage	66,756	5,858	0	72,614
Bridges	3,437	2,939	0	6,376
	164,553	83,318	0	247,871
Total asset revaluation reserves	811,699	149,876	0	961,575

2017

Property

Land	495,092	69,542	0	564,634
Buildings	76,369	0	0	76,369
	571,461	69,542	0	641,003

Plant and equipment

Other	6,143	0	0	6,143
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Infrastructure

Roads	94,360	0	0	94,360
Drainage	66,756	0	0	66,756
Bridges	3,437	0	0	3,437
	164,553	0	0	164,553

Total asset revaluation reserves

	742,157	69,542	0	811,699
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The asset revaluation reserve is used to record the increased (net) value of Council's assets over time.

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

(b) Other reserves

2018

Car park development	228	0	0	228
Capital works	0	1,775	0	1,775
Developer contribution scheme	6,104	0	473	5,631
Drainage development	23	0	0	23
Plant replacement	0	2,082	1,658	424
Public open space and recreation	6,707	5,386	1,971	10,122
Total other reserves	13,062	9,243	4,102	18,203

2017

Car park development	228	0	0	228
Developer contribution scheme	6,310	0	206	6,104
Drainage development	23	0	0	23
Public open space and recreation	12,458	4,843	10,594	6,707
Total other reserves	19,019	4,843	10,800	13,062

Note 8.1 Reserves (continued)

Nature and purpose of reserves

Statutory and discretionary reserves:

Car park development

The car park development reserve is used to provide funding for future development and ongoing maintenance of car parks within the municipality. Funding is derived from unspent contributions from commercial developers for cash in lieu of constructed car parks. This funding is initially recognised in the comprehensive income statement and then transferred to the reserve from accumulated surplus to facilitate separate tracking of the total funds received but not yet spent.

Capital works

The capital works reserve fund was established with effect from 19 March 2018 by Council resolution for the purpose of financing future capital works projects. Funding is derived from identified capital works project savings. Council may expend funds from the reserve for the purposes of major capital works.

Developer contribution scheme

The developer contribution reserve is used to provide for the future funding of Council's asset base. These assets include community facilities, parkland, and the drainage and road networks. Funding is provided by way of a developer's contribution, whereby the developer funds only the renewal of assets from that location. This funding is initially recognised in the comprehensive income statement and then transferred to the reserve from accumulated surplus to facilitate separate tracking of the total funds received but not yet spent.

Drainage development

The drainage development reserve is used to provide partial funding for the replacement of Council's drainage network. Funding is provided from developer contributions for drainage which is initially recognised in the comprehensive income statement and then transferred to the reserve from accumulated surplus to facilitate separate tracking of the total funds received but not yet spent.

Plant replacement

The plant replacement reserve was established to ensure adequate funds are available to purchase plant at the optimum replacement point. Transfers to and from the reserve are based upon plant depreciation or replacement charges less the net plant purchases as per the approved plant

Public open space and recreation

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

	2018 \$'000	2017 \$'000
8.2 Reconciliation of cash flows from operating activities to surplus		
Surplus / (Deficit) for the year	11,869	21,627
Depreciation and amortisation	23,003	22,055
Net (gain)/loss on disposal of property, infrastructure, plant and equipment	(713)	(26)
Bad and doubtful debts	1,563	1,373
Fair value adjustments for investment property	302	(275)
Contributions - non-monetary assets	(253)	(418)
Write-off of property, plant and equipment	742	37
Finance costs	0	0
	24,644	22,746
Change in operating assets and liabilities		
Decrease (increase) in trade and other receivables	(1,227)	(2,576)
Decrease (increase) in inventories	(22)	(2)
Decrease (increase) in accrued income	375	30
Decrease (increase) in prepayments	114	(1,806)
Increase (decrease) in trade and other payables	3,426	126
Increase (decrease) in trust funds and deposits	352	311
Increase (decrease) in provisions	1,130	(42)
	4,148	(3,959)
Net cash provided by/(used in) operating activities	40,661	40,414

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's 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 106.0%. 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

8.3 Superannuation (continued)

Vision Super has advised that the VBI for the LASF Defined Benefit sub-plan is 106.0% as at 30 June 2018. The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2017 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Employer contributions **Regular contributions**

On the basis of the results of the 2017 interim 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 increase to the 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 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 Full triennial actuarial investigation

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; and
- 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.

The total service liability surplus means that the current value of the assets in the Fund's defined benefit category plus expected future contributions exceeds the value of expected future benefits and expenses.

Council was notified of the 30 June 2018 VBI during August 2018.

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.