

ALL WARDS**UNAUDITED 2015-16 ANNUAL FINANCIAL STATEMENTS AND PERFORMANCE STATEMENT**

SUMMARY: *Manager Finance and Property Services (Dale Monk)*

The unaudited Annual Financial Statements and Performance Statement for the year ended 30 June 2016 are presented for consideration and approval in principle. These Statements were reviewed and endorsed in principle by Council's Audit Committee at its meeting on Thursday 18 August 2016.

RECOMMENDATION

That Council

1. Receive and adopt in principle the Unaudited 2015-16 Annual Financial Statements (Appendix A) and Performance Statement (Appendix B) for the year ending 30 June 2016.
2. Authorise the Principal Accounting Officer to make changes to the Financial Statements and Performance Statement as determined by the Auditor-General, and that the Audit Committee be consulted prior to making any material amendments to these Statements as determined by the Auditor-General, and that material amendments be communicated to Council as soon as practicable.
3. Nominate and authorise Councillor..... and Councillor to certify (on behalf of Council) the 2015-16 Annual Financial Statements and Performance Statement, in the final form.

1. INTRODUCTION

Crowe Horwath (agents of the Victorian Auditor-General's Office) has completed the external audit of the 2015-16 Annual Financial Statements and Performance Statement.

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

The Audit Committee at its meeting of Thursday 18 August 2016 having reviewed the Annual Financial Statements and Performance Statement, recommended that Council adopt the unaudited 2015-16 Annual Financial Statements and Performance Statement on an in principle basis and submit them to the Victorian Auditor-General for final audit.

Unaudited 2015-16 Annual Financial Statements and Performance Statement (cont'd)

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

The Victorian Auditor-General's certification is anticipated in September 2016.

2. DISCUSSION

Annual Financial Statements

The unaudited 2015-16 Annual Financial Statements indicate the financial performance for the year and the financial position of Council as at 30 June 2016.

Council ended the financial year in a strong financial position. Council's Surplus was \$25.039 million for the year, which was a favourable variance of \$15.900 million when compared to the 2015-16 Adopted Budgeted Surplus of \$9.139 million. The key variances were:

- Gain on the disposal of property, infrastructure, plant and equipment – higher than anticipated gain on the sale of an area of Stamford Park, Rowville (\$17.005 million) and the unbudgeted sale of 7 Church Street, Bayswater (\$1.962 million).
- Contributions – Monetary were \$1.726 million higher than budgeted as a result of higher than anticipated number of developments during the year.
- Lower than anticipated grant income with the prepayment of 2015-16 Victoria Grants Commission grant (\$3.292 million) in 2014-15.
- The accounting treatment for staffing resources allocated to support Council's capital works program, coupled with increases in employee entitlement provisions, has contributed to the higher than budgeted employee costs.

The unaudited Balance Sheet reflects a strong position with a Working Capital ratio (liquidity) of 2.30:1 or 230%.

Performance Statement

Section 131(2) (b) of the Act requires the annual report to include an audited Performance Statement. From 2014-15, the Performance Statement must report results of indicators established by the Victorian Local Government Performance Reporting Framework. The Performance Statement has been prepared in line with Act and Regulations.

Unaudited 2015-16 Annual Financial Statements and Performance Statement (cont'd)

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

The Regulations require Councils to provide an explanation of any material variations in the results between the current year and previous years. Knox has set its material threshold at plus or minus 10% of the previous year's result. Based on this material threshold, 10 results for the prescribed indicators are reporting a material threshold. Of these 7 are positive material thresholds. Council has provided comments to assist readers in interpreting the results.

3. CONSULTATION

This report does not require consultation. The 2015-16 Annual Financial Statements and Performance Statement will be publicly available as part of the 2015-16 Annual Report.

4. ENVIRONMENTAL/AMENITY ISSUES

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

5. FINANCIAL & ECONOMIC IMPLICATIONS

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

6. SOCIAL IMPLICATIONS

This report does not have any social implications for discussion.

7. RELEVANCE TO CITY PLAN 2013-17 (INCORPORATING THE COUNCIL PLAN)

The Annual Financial Statements and Performance Statement are a historical reflection of Council's 2015-16 financial performance and performance against key initiatives identified within the City Plan (incorporating the Council Plan) 2013-17.

8. CONCLUSION

The 2015-16 Annual Financial Statements indicate that Council's overall financial position is strong. The 2015-16 Performance Statement highlights Council's performance successes over the financial year.



Financial Report For the Year Ended 30 June 2016



Table of Contents

FINANCIAL REPORT

	Page
Financial Statements	
Comprehensive Income Statement	1
Balance Sheet	2
Statement of Changes in Equity	3
Statement of Cash Flows	4
Statement of Capital Works	5
Notes to the Financial Statements	
Introduction	6
Note 1 Significant accounting policies	6
Note 2 Budget comparison	13
Note 3 Rates and charges	16
Note 4 Statutory fees and fines	17
Note 5 User fees	17
Note 6 Grants	17
Note 7 Contributions	19
Note 8 Net gain/(loss) on disposal of property, infrastructure, plant and equipment	19
Note 9 Investment in associate	19
Note 10 Other income	20
Note 11 Employee costs	20
Note 12 Materials and services	21
Note 13 Depreciation and amortisation	21
Note 14 Contributions and donations	22
Note 15 Borrowing costs	22
Note 16 Bad and doubtful debts	22
Note 17 Other expenses	22
Note 18 Cash and cash equivalents	22
Note 19 Other financial assets	23
Note 20 Trade and other receivables	23
Note 21 Non-current assets classified as held for sale	24
Note 22 Other assets	24
Note 23 Property, infrastructure, plant and equipment	25
Note 24 Intangible assets	31
Note 25 Trade and other payables	31
Note 26 Trust funds and deposits	31
Note 27 Provisions	32
Note 28 Interest-bearing loans and borrowings	34
Note 29 Reserves	35
Note 30 Reconciliation of cash flows from operating activities to surplus/(deficit)	39
Note 31 Financing arrangements	39
Note 32 Commitments	40
Note 33 Operating leases	41
Note 34 Superannuation	41
Note 35 Contingent liabilities and contingent assets	43
Note 36 Financial Instruments	44
Note 37 Related party transactions	46
Note 38 Events occurring after balance date	47
Certification of the Financial Statements	48

Comprehensive Income Statement For the Year Ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Income			
Rates and charges	3	101,984	96,094
Statutory fees and fines	4	2,110	1,737
User fees	5	14,674	14,147
Grants - operating	6	20,455	28,069
Grants - capital	6	3,183	2,605
Contributions - monetary	7	5,023	5,324
Contributions - non-monetary	7	1,210	5,499
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	8	15,691	(1,415)
Share of net profit of associate	9	219	266
Other income	10	3,658	4,533
Total income		168,207	156,859
Expenses			
Employee costs	11	(67,952)	(64,346)
Materials and services	12	(48,740)	(49,749)
Depreciation and amortisation	13	(19,145)	(18,647)
Contributions and donations	14	(5,151)	(4,986)
Borrowing costs	15	(874)	(989)
Bad and doubtful debts	16	10	146
Other expenses	17	(1,316)	(1,298)
Total expenses		(143,168)	(139,869)
Surplus for the year		25,039	16,990
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods:			
Net asset revaluation increment/(decrement)	29(a)	147,503	(359)
Total comprehensive result		172,542	16,631

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

Balance Sheet As At 30 June 2016

	Note	2016 \$'000	2015 \$'000
Assets			
Current assets			
Cash and cash equivalents	18	8,830	27,884
Other financial assets	19	58,100	22,100
Trade and other receivables	20	9,841	9,254
Non-current assets classified as held for sale	21	25	805
Other assets	22	1,458	1,282
Inventories		4	7
Total current assets		78,258	61,332
Non-current assets			
Investment in Eastern Regional Libraries Corporation	9	3,741	3,522
Property, infrastructure, plant and equipment	23	1,686,028	1,530,530
Intangible assets	24	1,312	726
Total non-current assets		1,691,081	1,534,778
Total assets		1,769,339	1,596,110
Liabilities			
Current liabilities			
Trade and other payables	25	10,894	9,148
Trust funds and deposits	26	2,653	3,151
Provisions	27	16,688	16,330
Interest-bearing loans and borrowings	28	3,811	5,240
Total current liabilities		34,046	33,869
Non-current liabilities			
Provisions	27	7,660	6,459
Interest-bearing loans and borrowings	28	9,436	10,127
Total non-current liabilities		17,096	16,586
Total liabilities		51,142	50,455
Net assets		1,718,197	1,545,655
Equity			
Accumulated surplus		615,468	604,516
Reserves	29	1,102,729	941,139
Total equity		1,718,197	1,545,655

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

Statement of Changes in Equity For the Year Ended 30 June 2016

2016	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		1,545,655	604,516	919,580	21,559
Surplus for the year		25,039	25,039	-	-
Net asset revaluation increment/(decrement)	29(a)	147,503	-	147,503	-
Transfers to other reserves	29(b)	-	(24,507)	-	24,507
Transfers from other reserves	29(b)	-	10,420	-	(10,420)
Balance at end of the financial year		1,718,197	615,468	1,067,083	35,646

2015	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		1,529,024	593,230	919,939	15,855
Surplus for the year		16,990	16,990	-	-
Net asset revaluation increment/(decrement)	29(a)	(359)	-	(359)	-
Transfers to other reserves	29(b)	-	(10,233)	-	10,233
Transfers from other reserves	29(b)	-	4,529	-	(4,529)
Balance at end of the financial year		1,545,655	604,516	919,580	21,559

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

Statement of Cash Flows For the Year Ended 30 June 2016

	Note	2016 Inflows/ (Outflows) \$'000	2015 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		101,850	96,104
Statutory fees and fines		2,113	1,748
User fees		14,813	14,571
Grants - operating		20,522	28,142
Grants - capital		3,057	2,629
Contributions		5,026	5,462
Interest received		1,642	1,846
Net GST refund		7,726	6,744
Other receipts		1,971	2,958
Net movement in trust deposits		(497)	1,502
Employee costs		(67,805)	(64,418)
Materials and services		(53,399)	(55,261)
Contributions and donations		(5,651)	(5,467)
Other payments		(1,343)	(1,388)
Net cash provided by operating activities	30	<u>30,025</u>	<u>35,170</u>
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(29,731)	(27,452)
Proceeds from sales of property, infrastructure, plant and equipment		19,655	929
Payments for investments		(58,100)	(22,100)
Proceeds from sale of investments		22,100	30,800
Net cash used in investing activities		<u>(46,076)</u>	<u>(17,823)</u>
Cash flows from financing activities			
Repayment of borrowings		(2,120)	(2,040)
Finance costs		(883)	(974)
Net cash used in financing activities		<u>(3,003)</u>	<u>(3,014)</u>
Net increase/(decrease) in cash and cash equivalents		(19,054)	14,333
Cash and cash equivalents at the beginning of the financial year		27,884	13,551
Cash and cash equivalents at the end of the financial year	18	<u>8,830</u>	<u>27,884</u>
Financing arrangements	31		
Restrictions on cash assets	18		

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

Statement of Capital Works For the Year Ended 30 June 2016

	2016 \$'000	2015 \$'000
Property		
Land	3,372	826
Total land	3,372	826
Buildings	3,551	4,160
Total buildings	3,551	4,160
Total property	6,923	4,986
Plant and equipment		
Artworks	22	-
Plant, machinery and equipment	1,816	1,597
Fixtures, fittings and furniture	187	145
Computers and telecommunications	1,195	698
Total plant and equipment	3,220	2,440
Infrastructure		
Roads	6,115	7,239
Bridges	278	304
Footpaths and cycleways	4,065	3,501
Drainage	3,337	4,283
Recreational, leisure and community facilities	4,690	4,002
Off street car parks	975	593
Other infrastructure	163	97
Total infrastructure	19,623	20,019
Total capital works expenditure	29,766	27,445
Represented by:		
New asset expenditure	4,811	1,663
Asset renewal expenditure	19,252	20,460
Asset expansion expenditure	357	86
Asset upgrade expenditure	5,346	5,236
Total capital works expenditure	29,766	27,445

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

Notes to the Financial Statements For the Year Ended 30 June 2016

Introduction

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

Statement of Compliance

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

Note 1 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 1 (k))
- the determination of depreciation for buildings, infrastructure, plant and equipment and intangibles (refer to Note 1 (l))
- the determination of employee provisions (refer to Note 1 (q))

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

(b) Changes in accounting policies

There have been no changes in accounting policies from the previous period.

(c) Accounting for investment in associate

An associate is an entity over which Council has significant influence but not control or joint control. Investment in an associate is accounted for using the equity method of accounting, after initially being recognised at cost.

Eastern Regional Libraries Corporation (ERLC)

An investment has been recognised in the Eastern Regional Libraries Corporation (ERLC) based on Council's contribution of the net assets to the entity on its commencement on 1 July 1996. Changes in the net assets of the ERLC are brought to account as an adjustment to the carrying value of the investment. Council's share of the equity of the ERLC is 36.39%, representing the percentage of Council's original equity contribution upon establishment of the ERLC as at July 1996.

Council's investment at 30 June 2016 is based on the Corporation's financial report and has been disclosed in Note 9.

Notes to the Financial Statements For the Year Ended 30 June 2016

Note 1 Significant accounting policies (cont'd)

(d) Revenue recognition

Income is recognised when the Council obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to the Council and the amount of the contribution can be measured reliably.

Rates and charges

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.

Statutory fees and fines

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.

User fees

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

Grants

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.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Notes 6 and 7. The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

Contributions

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

Sale of property, infrastructure, plant and equipment

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

Interest

Interest is recognised as it is earned.

Other Income

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.

(e) Fair value measurement

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.

Notes to the Financial Statements For the Year Ended 30 June 2016

Note 1 Significant accounting policies (cont'd)

(e) Fair value measurement (cont'd)

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.

(f) Cash and cash equivalents

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.

(g) Trade and other receivables

Receivables are carried at amortised cost using the effective interest rate method. A provision for doubtful debts is recognised when there is objective evidence that impairment has occurred.

(h) Other financial assets

Term deposits are held to maturity and measured at amortised cost.

(i) Inventories

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. Inventories are measured at the lower of cost and net realisable value.

(j) Non-current assets classified as held for sale

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

(k) Recognition and measurement of property, plant and equipment, infrastructure, intangibles

Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributed to the acquisition. Fair value is the amount for which the asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

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

In accordance with Council's policy, the threshold limits detailed in Note 1 (l) have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

Notes to the Financial Statements For the Year Ended 30 June 2016

Note 1 Significant accounting policies (cont'd)

(k) Recognition and measurement of property, plant and equipment, infrastructure, intangibles (cont'd)

Revaluation

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use on an asset result in changes to the permissible or practical highest and best use of the asset. Further details regarding the fair value hierarchy are disclosed at Note 23 Property, infrastructure, plant and equipment.

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 2 to 3 years. The valuations are performed either by experienced Council officers or independent experts. Land, buildings, roads, footpaths and cycleways and off-street car parks were formally revalued as at 30 June 2016.

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

Land under roads

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

(l) Depreciation and amortisation of property, infrastructure, plant and equipment and intangibles

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

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

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

Notes to the Financial Statements For the Year Ended 30 June 2016

Note 1 Significant accounting policies (cont'd)

(l) Depreciation and amortisation of property, infrastructure, plant and equipment and intangibles (cont'd)

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:

Asset recognition thresholds and depreciation periods

	Depreciation Period Years	Threshold Limit \$'000
Property		
Land	n/a	10
Land improvements	n/a	10
Land under roads	n/a	10
Buildings		
Buildings	20-200	10
Plant and equipment		
Plant, machinery and equipment	3-10	2
Fixtures, fittings and furniture	3-10	1
Computers and telecommunications	3-10	1
Artworks	n/a	1
Infrastructure		
Roads – surfacing	2-50	5
Roads – kerb and channel	70	5
Roads – substructure	30-185	20
Roads – earthworks	n/a	20
Bridges	30-100	5
Footpaths and cycleways	2-50	5
Drainage	80	5
Recreational, leisure and community facilities	15-60	10
Off street car parks	2-185	10
Other infrastructure	7-30	2
Intangible assets		
Intangible assets	5	10

(m) 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.

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

(o) Trust funds and deposits

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 (refer to Note 26).

Notes to the Financial Statements For the Year Ended 30 June 2016

Note 1 Significant accounting policies (cont'd)

(p) Borrowings

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

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

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowing costs include interest on bank overdrafts and interest on borrowings.

(q) Employee costs and benefits

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

Wages and salaries and annual leave

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

Liabilities that are not expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits as current liabilities, measured at 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.

Current liability – unconditional LSL is disclosed as a current liability even when the Council does not expect to settle the liability within 12 months because it will not have the unconditional right to defer settlement of the entitlement should an employee take leave within 12 months.

The components of this current liability are measured at:

- present value – component that is not expected to be wholly settled within 12 months
- nominal value – component that is expected to be wholly settled within 12 months.

Classification of employee costs

Non-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 because there is an unconditional right to defer settlement of the entitlement until the employee has completed the requisite years of service.

This non-current LSL liability is measured at present value.

Gratuity retirement allowance

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

- present value – component that is not expected to be wholly settled within 12 months
- nominal value – component that is expected to be wholly settled within 12 months.

Notes to the Financial Statements For the Year Ended 30 June 2016

Note 1 Significant accounting policies (cont'd)

(r) Landfill rehabilitation provision

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

(s) Leases

Operating leases

Lease payments for operating leases, where the lessor effectively retains substantially all risks and benefits incidental to ownership of the leased item, 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. Commitments under these lease agreements are included in Note 33 Operating leases.

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(u) Financial guarantees

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 that right will be exercised. Details of guarantees that Council has provided, that are not recognised in the balance sheet are disclosed at Note 35 Contingent liabilities and contingent assets.

(v) Contingent liabilities and contingent assets and commitments

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

Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value by way of a note and presented inclusive of the GST payable.

(w) Pending accounting standards

Certain new AAS's have been issued that are not mandatory for the 30 June 2016 reporting period. Council has assessed these pending standards and has identified that no material impact will flow from the application of these standards in future reporting periods.

(x) Rounding

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

Notes to the Financial Statements For the Year Ended 30 June 2016

Note 2 Budget comparison

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

The budget figures detailed below are those adopted by Council on 23 June 2015. 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*.

a) Income and expenditure

	Budget 2016 \$'000	Actual 2016 \$'000	Variance 2016 \$'000	Ref
Income				
Rates and charges	101,442	101,984	542	
Statutory fees and fines	2,419	2,110	(309)	
User fees	13,885	14,674	789	
Grants - operating	23,399	20,455	(2,944)	1
Grants - capital	2,571	3,183	612	
Contributions - monetary	3,297	5,023	1,726	2
Contributions - non monetary	2,000	1,210	(790)	
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	(352)	15,691	16,043	3
Share of net profit of associate	-	219	219	
Other income	3,083	3,658	575	
Total income	151,744	168,207	16,463	
Expenses				
Employee costs	65,453	67,952	(2,499)	
Materials and services	51,377	48,740	2,637	
Depreciation and amortisation	19,262	19,145	117	
Contributions and donations	5,154	5,151	3	
Borrowing costs	987	874	113	
Bad and doubtful debts	(92)	(10)	(82)	
Other expenses	464	1,316	(852)	
Total expenses	142,605	143,168	(563)	
Surplus/(deficit) for the year	9,139	25,039	15,900	

Notes to the Financial Statements For the Year Ended 30 June 2016

Note 2 Budget comparison (cont'd)

a) Income and expenditure (cont'd)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Grants - operating	Grants - operating is lower than budget due to the early receipt of the 2015-16 Victoria Grants Commission funds in 2014-15 (\$3.292 million).
2	Contributions - monetary	\$1.647 million higher than budget in developers monetary contributions due to a higher than anticipated number of developments during the year.
3	Net gain/(loss) on disposal of property, infrastructure, plant and equipment	Higher than anticipated gain on the sale of an area of Stamford Park (\$17.005 million) and the unbudgeted sale of 7 Church Street, Bayswater (\$1.962 million).

Notes to the Financial Statements For the Year Ended 30 June 2016

Note 2 Budget comparison (cont'd)

b) Capital works

	Budget 2016 \$'000	Actual 2016 \$'000	Variance 2016 \$'000	Ref
Property				
Land	3,600	3,372	228	
Land improvements	770	-	770	
Total Land	4,370	3,372	998	
Buildings	5,891	3,551	2,340	1
Total buildings	5,891	3,551	2,340	
Total property	10,261	6,923	3,338	
Plant and equipment				
Artworks	45	22	23	
Plant, machinery and equipment	2,268	1,816	452	
Fixtures, fittings and furniture	85	187	(102)	
Computers and telecommunications	1,764	1,195	569	
Total plant and equipment	4,162	3,220	942	
Infrastructure				
Roads	7,970	6,115	1,855	2
Bridges	280	278	2	
Footpaths and cycleways	3,577	4,065	(488)	
Drainage	3,651	3,337	314	
Recreational, leisure and community facilities	5,873	4,690	1,183	3
Off street car parks	642	975	(333)	
Other infrastructure	6,204	163	6,041	4
Total infrastructure	28,197	19,623	8,574	
Total capital works expenditure	42,620	29,766	12,854	
Represented by:				
New asset expenditure	5,503	4,811	692	
Asset renewal expenditure	24,693	19,252	5,441	
Asset expansion expenditure	60	357	(297)	
Asset upgrade expenditure	12,364	5,346	7,018	
Total capital works expenditure	42,620	29,766	12,854	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Buildings	Capital expenditure is lower than budget due to \$1.640 million of works unable to be capitalised - mainly from general building maintenance costs (\$0.725 million), expenditure relating to Stamford Park (\$0.526 million) and projects being capitalised under different asset classes (\$0.149 million), as well as works on the Early Years Hub (\$0.792 million) that is to be carried forward to 2016-17.

Notes to the Financial Statements For the Year Ended 30 June 2016

Note 2 Budget comparison (cont'd)

b) Capital works (cont'd)

(i) Explanation of material variations (cont'd)

Variance Ref	Item	Explanation
2	Roads	Capital expenditure is lower than budget due to works to be carried forwards to 2016-17 (\$2.282 million) which is offset against works carried forward from 2014-15 (\$0.251 million).
3	Recreational, leisure and community facilities	Capital expenditure is lower than budget due to landscaping and planting works unable to be capitalised (\$1.532 million) and projects being capitalised under different asset classes (\$0.779 million) which are offset against works carried forward from 2014-15 (\$1.644 million).
4	Other infrastructure	Capital expenditure is lower than budget due to street lighting works carried forward to 2016-17 (\$3.971 million), current works that cannot be capitalised (\$0.779 million) and general maintenance and planting works (\$0.843 million) that cannot be capitalised.

2016	2015
\$'000	\$'000

Note 3 Rates and charges

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

The valuation base used to calculate general rates for 2015-16 was \$33,591 million (2014-15 \$33,345 million). The 2015-16 rate in the CIV dollar was \$0.0026614 (2014-15 \$0.002528) for the residential rate.

General rates	97,517	91,845
Service rates and charges	3,735	3,600
Supplementary rates and rate adjustments	688	606
Cultural and recreational	44	43
Total rates and charges	101,984	96,094

The date of the latest general revaluation for rating purposes within the municipal district was 1 January 2014 and the valuation first applied to the rating year commencing 1 July 2014.

**Notes to the Financial Statements
For the Year Ended 30 June 2016**

	2016	2015
	\$'000	\$'000
Note 4		
Statutory fees and fines		
Permits	939	813
Infringements and costs	733	626
Town planning fees	323	188
Land information certificates	107	97
Court recoveries	8	12
Other	-	1
Total statutory fees and fines	<u>2,110</u>	<u>1,737</u>
Note 5		
User fees		
Waste management services	4,612	4,366
Child care/children's programs	3,776	3,767
Leisure centre and recreation	1,991	1,954
Registration and other permits	1,548	1,528
Aged and health services	1,039	1,127
Building services	473	443
Other fees and charges	1,235	962
Total user fees	<u>14,674</u>	<u>14,147</u>
Note 6		
Grants		
Grants were received in respect of the following:		
Summary of grants		
Commonwealth funded grants	8,367	15,229
State funded grants	15,271	15,445
Total grants received	<u>23,638</u>	<u>30,674</u>
Operating grants		
<i>Recurrent - Commonwealth Government</i>		
Victoria Grants Commission	3,004	9,881
Family and children - child care	2,522	2,364
Family and children - other	1	3
Family and children - family day care	-	455
Family and children - early intervention	-	377
<i>Recurrent - State Government</i>		
Family and children - preschool	5,405	5,682
General home care	5,312	5,059
Family and children - maternal and child health	1,023	1,003
Family and children - early intervention	-	799
School crossing supervisors	389	370
Family and children - youth services	229	201
Other	143	122
Community health	142	141
Aged care	137	135
Family and children - child care	64	-
Total recurrent operating grants	<u>18,371</u>	<u>26,592</u>

**Notes to the Financial Statements
For the Year Ended 30 June 2016**

	2016	2015
	\$'000	\$'000
Note 6 Grants (cont'd)		
<i>Non-recurrent - Commonwealth Government</i>		
Family and children - early intervention	414	-
Family and children - family day care	226	-
Family and children - maternal and child health	2	3
Family and children - child care	-	1
<i>Non-recurrent - State Government</i>		
Family and children - early intervention	815	-
General home care	204	83
Community health	202	1,159
Environmental planning	46	65
Other	42	59
Community safety	40	-
Recreation	39	40
Family and children - maternal and child health	30	-
Family and children - youth services	21	22
Family and children - child care	3	-
Family and children - preschool	-	45
Total non-recurrent operating grants	2,084	1,477
Total operating grants	20,455	28,069
Capital grants		
<i>Recurrent - Commonwealth Government</i>		
Roads to recovery	1,453	509
Victoria Grants Commission - local roads	506	1,560
Total recurrent capital grants	1,959	2,069
<i>Non-recurrent - Commonwealth Government</i>		
Recreational, leisure and community facilities	152	50
Off street car parks	70	10
Buildings	17	16
<i>Non-recurrent - State Government</i>		
Recreational, leisure and community facilities	686	257
Buildings	238	107
Footpaths	54	18
Off street car parks	7	-
Roads	-	78
Total non-recurrent capital grants	1,224	536
Total capital grants	3,183	2,605
Unspent grants received on condition that they be spent in a specific manner		
Balance at start of year	101	84
Received during the financial year and remained unspent at balance date	143	101
Received in prior years and spent during the financial year	(101)	(84)
Balance at year end	143	101

**Notes to the Financial Statements
For the Year Ended 30 June 2016**

		2016 \$'000		2015 \$'000
Note 7	Contributions			
	Monetary	5,023		5,324
	Non-monetary	1,210		5,499
	Total contributions	6,233		10,823
	<i>Contributions of non-monetary assets were received in relation to the following asset classes.</i>			
	Land	815		1,035
	Drainage	220		1,828
	Roads	146		2,050
	Footpaths and cycleways	29		586
	Total non-monetary contributions	1,210		5,499
Note 8	Net gain/(loss) on disposal of property, infrastructure, plant and equipment			
	Proceeds of sale	19,629		908
	Written down value of assets disposed	(3,938)		(2,323)
	Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	15,691		(1,415)
	Total net gain/(loss) on disposal of property, infrastructure, plant and equipment includes the sale of an area of Stamford Park and the sale of 7 Church Street, Bayswater.			
Note 9	Investment in associates			
	Investment in associate accounted for by the equity method is:			
	- Eastern Regional Libraries Corporation (ERLC)	3,741		3,522
	Eastern Regional Libraries Corporation (ERLC)			
	Background			
	The principal activity of ERLC is the operation of libraries. Council's ownership interest of ERLC as at 30 June 2016 was 36.39% (2015 - 36.39%) based on Council's share of net assets. Council's proportion of voting power as at 30 June 2016 was 33.33% (2015 - 33.33%).			
	Fair value of Council's investment in Eastern Regional Libraries Corporation	3,741		3,522
	Council's share of accumulated surplus			
	Council's share of accumulated surplus at start of year	3,522		3,256
	Reported surplus for year	219		266
	Council's share of accumulated surplus at end of year	3,741		3,522
	Movement in carrying value of specific investment			
	Carrying value of investment at start of year	3,522		3,256
	Share of surplus for year	219		266
	Carrying value of investment at end of year	3,741		3,522

**Notes to the Financial Statements
For the Year Ended 30 June 2016**

	2016	2015
	\$'000	\$'000
Note 9 Investment in associates (cont'd)		
Council's share of expenditure commitments		
Operating commitments	131	300
Capital commitments	2	4
Council's share of expenditure commitments	133	304
<p>Council directly provides a number of additional resources free of charge to the Eastern Regional Libraries Corporation in relation to the mobile library and library branches in the Knox municipality. The annual operating cost to Council for providing these facilities are as follows:</p>		
Mobile Library	34	33
Knox City, Rowville, Ferntree Gully, Boronia and Bayswater Library Branches	646	636
Note 10 Other income		
Interest	1,894	1,816
Recyclable material sales	702	1,153
Reimbursements	623	1,125
Rent	393	385
Other	46	54
Total other income	3,658	4,533
Note 11 (a) Employee costs		
Wages and salaries	50,250	48,659
Annual leave and long service leave	6,989	6,299
Superannuation	4,980	4,941
Agency staff	4,471	3,260
WorkCover	850	751
Fringe benefits tax	412	436
Total employee costs	67,952	64,346

Notes to the Financial Statements For the Year Ended 30 June 2016

	2016 \$'000	2015 \$'000
Note 11 (b) Superannuation		
Council made contributions to the following funds:		
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	499	553
Employer contributions - other funds	-	-
	499	553
Employer contributions payable at reporting date	-	-
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	3,294	3,292
Employer contributions - other funds	1,376	1,238
	4,670	4,530
Employer contributions payable at reporting date	383	363
<i>Refer to Note 34 for further information relating to Council's superannuation obligations.</i>		

Note 12 Materials and services

Contract payments	28,606	30,016
Administration costs	5,355	5,532
Utilities	3,216	3,268
Consumable Materials and Equipment	2,826	2,733
Consultants	2,417	1,947
Information technology	1,801	1,377
Building maintenance	1,572	1,464
Insurance	1,459	1,404
Finance and legal costs	751	1,297
General maintenance	737	711
Total materials and services	48,740	49,749

Note 13 Depreciation and amortisation

Property	3,587	3,447
Plant and equipment	1,429	1,358
Infrastructure	13,906	13,649
Total depreciation	18,922	18,454
Intangible assets	223	193
Total depreciation and amortisation	19,145	18,647

Refer to Notes 23 and 24 for a more detailed breakdown of depreciation and amortisation charges.

**Notes to the Financial Statements
For the Year Ended 30 June 2016**

		2016	2015
		\$'000	\$'000
Note 14	Contributions and donations		
	Contribution to the Eastern Regional Libraries Corporation	3,808	3,690
	Community support payments	1,306	1,161
	Governance - Ward funds	37	135
	Total contributions and donations	<u>5,151</u>	<u>4,986</u>
Note 15	Borrowing costs		
	Interest - borrowings	874	989
	Total borrowing costs	<u>874</u>	<u>989</u>
Note 16	Bad and doubtful debts		
	Parking and animal infringement debtors	82	57
	Other debtors	(92)	(203)
	Total bad and doubtful debts	<u>(10)</u>	<u>(146)</u>
Note 17	Other expenses		
	Operating lease rentals	797	808
	Councillors allowances	351	335
	Auditor's remuneration - internal	116	101
	Auditor's remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	52	54
	Total other expenses	<u>1,316</u>	<u>1,298</u>
Note 18	Cash and cash equivalents		
	Cash on hand	6	7
	Cash at bank	8,824	11,377
	Term deposits	-	16,500
	Total cash and cash equivalents	<u>8,830</u>	<u>27,884</u>
	Council's cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:		
	- Trust funds and deposits (Note 26)	2,653	3,151
	- Restricted reserves (Note 29)	9,872	9,141
	- Family and children (unexpended grants) (Note 6)	143	101
	Total restricted funds	<u>12,668</u>	<u>12,393</u>
	Total unrestricted cash and cash equivalents	<u>(3,838)</u>	<u>15,491</u>

As at balance date Council had \$34.800 million in term deposits maturing within 90 days.

Notes to the Financial Statements For the Year Ended 30 June 2016

	2016 \$'000	2015 \$'000
Note 18 Cash and cash equivalents (cont'd)		
Intended allocations		
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:		
- Other reserves (Note 29)	25,774	12,418
Total funds subject to intended allocations	25,774	12,418
<i>Refer also to Note 19 for details of other financial assets held by Council.</i>		
 Note 19 Other financial assets		
Term deposits	58,100	22,100
Total other financial assets	58,100	22,100
 Note 20 Trade and other receivables		
Current		
Rates debtors	6,583	6,476
Special rate assessment	52	52
Parking and animal infringement debtors	1,201	1,016
Provision for doubtful debts - parking and animal infringement debtors	(739)	(658)
Other debtors	2,756	2,508
Provision for doubtful debts - other debtors	(12)	(140)
Total current trade and other receivables	9,841	9,254
 a) Ageing of receivables		
At balance date, other debtors representing financial assets were past due but not impaired (except for the debtors included in the impairment table below). These amounts relate to a number of independent customers for whom there is no recent history of default. The ageing of the Council's trade and other receivables (excluding statutory receivables) was:		
Current (not yet due)	2,424	1,987
Past due by up to 30 days	83	139
Past due between 31 and 180 days	128	132
Past due between 181 and 365 days	24	41
Past due by more than 1 year	97	209
Total trade and other receivables	2,756	2,508
 b) Movement in provisions for doubtful debts		
Balance at the beginning of the year	140	355
New provisions recognised during the year	2	17
Amounts already provided for and written off as uncollectible	(36)	(13)
Amounts provided for but recovered during the year	(94)	(219)
Balance at the end of the year	12	140

**Notes to the Financial Statements
For the Year Ended 30 June 2016**

	2016 \$'000	2015 \$'000
Note 20 Trade and other receivables (cont'd)		
c) Ageing of individually impaired receivables		
<p>At balance date, other debtors representing financial assets with a nominal value of \$1,847 (2015:\$124,376) were impaired. The amount of the provision raised against these debtors was \$1,847 (2015:\$124,376). The individually impaired debtors relate to family day care and preschool debtors and have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with the Council's debt collectors or are on payment arrangements.</p> <p>The ageing of receivables that have been individually determined as impaired at reporting date was:</p>		
Current (not yet due)	-	-
Past due by up to 30 days	-	-
Past due between 31 and 180 days	1	-
Past due between 181 and 365 days	-	-
Past due by more than 1 year	1	124
Total trade and other receivables	2	124
 Note 21 Non-current assets classified as held for sale		
Plant and equipment	14	24
Land at fair value	11	781
Total non-current assets classified as held for sale	25	805
 Note 22 Other assets		
Prepayments	839	877
Accrued income	619	405
Total other assets	1,458	1,282

Notes to the Financial Statements For the Year Ended 30 June 2016

Note 23 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At fair value 30 June 2016	At cost 30 June 2016	Accumulated depreciation	Written down value 30 June 2016 \$'000	At fair value 30 June 2015	At cost 30 June 2015	Accumulated depreciation	Written down value 30 June 2015 \$'000
Land	798,630	5,680	-	804,310	661,593	6,501	-	668,094
Buildings	231,928	-	(102,389)	129,539	219,468	4,028	(98,998)	124,498
Plant and equipment	-	17,313	(9,045)	8,268	-	17,125	(8,994)	8,130
Infrastructure	1,070,910	61,395	(394,646)	737,659	1,035,515	73,733	(385,554)	723,694
Work in progress	-	6,252	-	6,252	-	6,113	-	6,113
	2,101,468	90,640	(506,080)	1,686,028	1,916,576	107,500	(493,546)	1,530,530

Summary of Work in Progress

	Opening Work in progress \$'000	Additions \$'000	Transfers \$'000	Write offs \$'000	Closing Work in progress \$'000
Buildings	430	1,289	(190)	(11)	1,518
Infrastructure	5,683	3,886	(4,753)	(82)	4,734
	6,113	5,175	(4,943)	(93)	6,252

**Notes to the Financial Statements
For the Year Ended 30 June 2016**

Note 23 Property, infrastructure, plant and equipment (cont'd)

Land and Buildings	Land - specialised \$'000	Land - non specialised \$'000	Land improvements \$'000	Total land \$'000	Buildings - specialised \$'000	Total buildings \$'000	Work in progress \$'000	Total property \$'000
At fair value 1 July 2015	511,595	149,998	-	661,593	219,468	219,468	-	881,061
At cost 1 July 2015	2,481	866	3,154	6,501	4,028	4,028	430	10,959
Accumulated depreciation at 1 July 2015	-	-	-	-	(98,998)	(98,998)	-	(98,998)
	514,076	150,863	3,154	668,094	124,498	124,498	430	793,022
Movements								
Acquisition of assets at cost	44	4,143	-	4,187	2,451	2,451	1,289	7,927
Revaluation increments/(decrements)	139,534	(7,131)	-	132,403	6,785	6,785	-	139,188
Fair value of assets disposed	(363)	-	-	(363)	(804)	(804)	-	(1,167)
Cost of assets disposed	-	(11)	-	(11)	-	-	-	(11)
Transfers at cost	-	-	-	-	-	-	(201)	(201)
	139,215	(2,999)	-	136,216	8,432	8,432	1,088	145,736
Movements in accumulated depreciation								
Depreciation and amortisation	-	-	-	-	(3,587)	(3,587)	-	(3,587)
Accumulated depreciation of disposals	-	-	-	-	480	480	-	480
Revaluation increments/(decrements)	-	-	-	-	(284)	(284)	-	(284)
	-	-	-	-	(3,391)	(3,391)	-	(3,391)
At fair value 30 June 2016	650,766	147,864	-	798,630	231,928	231,928	-	1,030,558
At cost 30 June 2016	2,525	-	3,154	5,680	-	-	1,518	7,198
Accumulated depreciation at 30 June 2016	-	-	-	-	(102,389)	(102,389)	-	(102,389)
	653,291	147,864	3,154	804,310	129,539	129,539	1,518	935,367

**Notes to the Financial Statements
For the Year Ended 30 June 2016**

Note 23 Property, infrastructure, plant and equipment (cont'd)

Plant and Equipment	Plant machinery and equipment \$'000	Fixtures fittings and furniture \$'000	Computers and telecomms \$'000	Artworks \$'000	Total plant and equipment \$'000
At cost 1 July 2015	11,282	2,032	3,487	324	17,125
Accumulated depreciation at 1 July 2015	(4,435)	(1,548)	(3,011)	-	(8,994)
	6,848	483	476	324	8,130
Movements					
Acquisition of assets at cost	1,816	346	195	22	2,379
Cost of assets disposed	(1,549)	(587)	(54)	-	(2,190)
	267	(241)	141	22	189
Movements in accumulated depreciation					
Depreciation and amortisation	(1,118)	(133)	(179)	-	(1,430)
Accumulated depreciation of disposals	737	587	54	-	1,378
	(381)	454	(125)	-	(52)
At cost 30 June 2016	11,549	1,790	3,628	346	17,313
Accumulated depreciation at 30 June 2016	(4,815)	(1,094)	(3,135)	-	(9,045)
	6,734	695	493	346	8,268

**Notes to the Financial Statements
For the Year Ended 30 June 2016**

Note 23 Property, infrastructure, plant and equipment (cont'd)

Infrastructure	Roads	Bridges	Footpaths and cycleways	Drainage	Recreational, leisure and community facilities	Off street car parks	Other infrastructure	Work in progress	Total infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2015	604,609	9,681	125,908	265,198	-	24,795	5,324	-	1,035,515
At cost 1 July 2015	13,410	304	6,827	5,859	46,040	1,287	6	5,683	79,416
Accumulated depreciation at 1 July 2015	(172,101)	(2,706)	(73,937)	(116,809)	(13,104)	(5,500)	(1,397)	-	(385,554)
	445,920	7,279	58,798	154,248	32,936	20,582	3,933	5,683	729,378
Movements									
Acquisition of assets at cost	6,252	278	4,451	3,715	5,076	982	163	3,886	24,803
Revaluation increments/(decrements)	3,209	-	7,566	-	-	(2,300)	-	-	8,475
Fair value of assets disposed	(1,961)	-	(2,842)	-	-	(294)	-	-	(5,097)
Cost of assets disposed	-	-	-	-	(1,239)	-	-	-	(1,239)
Transfers at cost	-	-	-	-	-	-	-	(4,835)	(4,835)
	7,500	278	9,175	3,715	3,837	(1,612)	163	(949)	22,107
Movements in accumulated depreciation									
Depreciation and amortisation	(6,096)	(104)	(2,750)	(3,400)	(1,117)	(261)	(178)	-	(13,906)
Accumulated depreciation of disposals	1,606	-	2,211	-	603	269	-	-	4,689
Revaluation increments/(decrements)	(521)	-	49	-	-	597	-	-	125
	(5,011)	(104)	(490)	(3,400)	(514)	605	(178)	-	(9,092)
At fair value 30 June 2016	625,520	9,681	140,716	265,198	-	24,471	5,324	-	1,070,910
At cost 30 June 2016	-	582	1,194	9,574	49,876	-	169	4,734	66,129
Accumulated depreciation at 30 June 2016	(177,112)	(2,810)	(74,427)	(120,208)	(13,618)	(4,895)	(1,575)	-	(394,646)
	448,409	7,453	67,483	154,564	36,258	19,576	3,918	4,734	742,393

Notes to the Financial Statements For the Year Ended 30 June 2016

Note 23 Property, infrastructure, plant and equipment (cont'd)

Valuation of land and buildings

The 30 June 2016 valuation of land and buildings were undertaken by Brian Robinson from Westlink Consulting, a qualified independent valuer, registration number 62215. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the Comprehensive Income Statement.

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

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

The last valuation of land and buildings were undertaken in 2014.

Details of the Council's land and buildings and information about their fair value hierarchy as at 30 June 2016 are as follows:

	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000
Land	-	147,864	-
Specialised land	-	-	650,766
Specialised buildings	-	-	129,539
Total	<u>-</u>	<u>147,864</u>	<u>780,305</u>

Valuation of infrastructure

The 30 June 2016 valuation of roads, footpaths and cycleways and off street car parks was undertaken by Mr Jarrod Lawson, BE (Civil), Asset Engineer, Knox City Council, in conjunction with Mr Leigh Hale, Dip. C.E., MIEAust CPEng of Leigh Hale Consulting Services.

The 30 June 2015 valuations of fire hydrants were based on information supplied by South East Water.

The 30 June 2014 valuation of Council's drainage, bicycle and shared paths and bridges was undertaken by Mr Luke Newton, BE (Civil), GradIEAust, Asset Engineer, Knox City Council in conjunction with Mr Leigh Hale, Dip. C.E., MIEAust CPEng of Leigh Hale Consulting Services. The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

Notes to the Financial Statements For the Year Ended 30 June 2016

Note 23 Property, infrastructure, plant and equipment (cont'd)

Valuation of infrastructure (cont'd)

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2016 are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Roads	-	-	448,409
Bridges	-	-	6,874
Footpaths and cycleways	-	-	66,308
Drainage	-	-	145,104
Off street car parks	-	-	19,576
Other infrastructure	-	-	3,755
Total	-	-	690,026

Description of significant unobservable inputs into level 3 valuations

Specialised land is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 20% and 50%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$10 and \$924 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 \$450 to \$3,800 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary up to 149 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary up to 185 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	2016 \$'000	2015 \$'000
Reconciliation of specialised land at fair value		
Parks and reserves	595,119	464,001
Community facilities	24,954	19,873
Civic precinct	21,737	19,740
Transfer station	8,956	7,982
Total specialised land at fair value	650,766	511,595

**Notes to the Financial Statements
For the Year Ended 30 June 2016**

		2016 \$'000	2015 \$'000
Note 24	Intangible assets		
	Software	1,312	726
	Total intangible assets	1,312	726
	Gross carrying amount		
	Balance at beginning of year	2,721	2,581
	Additions	809	140
	Balance at end of year	3,530	2,721
	Accumulated amortisation and impairment		
	Balance at beginning of year	1,995	1,802
	Amortisation expense	223	193
	Balance at end of year	2,218	1,995
	Net book value at the end of the year	1,312	726
Note 25	Trade and other payables		
	Trade payables	7,097	6,652
	Accrued expenses	3,291	1,973
	Prepaid income	506	523
	Total trade and other payables	10,894	9,148
Note 26	Trust funds and deposits		
	Refundable deposits	1,278	1,674
	Fire services levy	845	835
	Retention amounts	71	170
	Other	459	472
	Total trust funds and deposits	2,653	3,151

Purpose and nature of items

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

Fire service levy - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a four instalment basis. Amounts disclosed will be remitted to the State Government in line with that process.

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

**Notes to the Financial Statements
For the Year Ended 30 June 2016**

Note 27 Provisions

	Employee \$'000s	Landfill rehabilitation \$'000s	Total \$'000s
2016			
Balance at beginning of the financial year	16,778	6,011	22,789
Additional provisions	6,399	1,739	8,138
Amounts used	(6,638)	(715)	(7,353)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	408	366	774
Balance at the end of the financial year	16,947	7,401	24,348
2015			
Balance at beginning of the financial year	16,788	2,130	18,918
Additional provisions	5,992	4,530	10,522
Amounts used	(6,002)	-	(6,002)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	-	(649)	(649)
Balance at the end of the financial year	16,778	6,011	22,789

	2016 \$'000	2015 \$'000
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	2,271	2,320
Long service leave	975	1,060
Gratuities	101	105
	3,347	3,485
Current provisions expected to be wholly settled after 12 months		
Annual leave	2,865	3,026
Long service leave	8,961	8,378
Gratuities	924	933
	12,750	12,337
Total current employee provisions	16,097	15,822
Non-current		
Long service leave	850	956
Total non-current employee provisions	850	956
Aggregate carrying amount of employee provisions:		
Current	16,097	15,822
Non-current	850	956
Total aggregate carrying amount of employee provisions	16,947	16,778

**Notes to the Financial Statements
For the Year Ended 30 June 2016**

	2016	2015
	\$'000	\$'000
Note 27 Provisions (cont'd)		
(b) Landfill rehabilitation		
Current		
Cathies lane landfill site	399	224
Llewellyn reserve landfill site	192	284
	591	508
Non-current		
Cathies lane landfill site	4,128	4,016
Llewellyn reserve landfill site	2,682	1,487
Total non-current provisions	6,810	5,503
Total aggregate carrying amount of landfill rehabilitation provisions	7,401	6,011
Summary of provisions		
Current	16,688	16,330
Non-current	7,660	6,459
Total provisions	24,348	22,789

Cathies Lane landfill site

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

In 2012 the EPA changed closed landfill guidelines and in 2013 issued several Supporting Pollution Abatement notices to Council requiring the completion of a number of management plans. These plans were completed in 2015-16, and provide further clarity regarding the future management options for leachate and landfill gas at the site and the cost implications for implementing recommended management measures.

During 2015-16 Council continued to test the groundwater, leachate, surface water and landfill gas in accordance with the environmental auditor verified site environmental management plan. Investigation of the existing landfill gas extraction system has been undertaken to determine if the extraction system efficiency can be improved. This investigation work has not been finalised. Improvements to the existing surface drainage and landfill capping have also been undertaken to comply with the landfill rehabilitation plan.

In the financial report for June 2016, Council has an amount of \$4.527 million as a provision for the restoration of the Cathies Lane landfill site and includes an ongoing commitment of approximately \$0.259 million per annum for site aftercare to meet EPA obligations for the site where restoration works have been completed. This is based on the assessment undertaken in 2015 and a reassessment of the provision at balance date in which the provision was measured at the net present value of the future rehabilitation costs including aftercare and site monitoring costs. Council will be required to incur additional costs should it be directed to adopt an alternative approach.

Included in the aftercare is the cost to provide a bank guarantee to meet the Financial Assurance requirements imposed by the EPA on Council. The bank guarantee for \$1.094 million is required to be in place for thirty years post closure.

Cathies Lane landfill site is also recognised as a contingent liability (Note 35(c)).

Notes to the Financial Statements For the Year Ended 30 June 2016

Note 27 Provisions (cont'd)

(b) Landfill rehabilitation (cont'd)

Llewellyn Reserve landfill site

Council's landfill site at Llewellyn Reserve was closed in 1985.

In 2012 the EPA changed closed landfill guidelines and in 2013 issued several Supporting Pollution Abatement notices to Council requiring the completion of a number of management plans. These plans were completed in 2015-16, and provide further clarity regarding the future management options for leachate and landfill gas at the site and the cost implications for implementing recommended management measures. The plans have concluded that a landfill gas extraction system is required for the site. In 2015-16 the EPA issued a Post Closure Pollution Abatement notice.

Council continued to test the groundwater, leachate and landfill gas via a monitoring network installed across the site in accordance with the environmental auditor verified site environmental management plan during 2015-16. Improvements to the existing surface drainage and landfill capping have also been undertaken to comply with the landfill rehabilitation plan.

In the financial report for June 2016, Council has an amount of \$2.874 million as a provision for the restoration of the Llewellyn Reserve landfill site and includes an ongoing commitment of approximately \$0.097 million per annum to cover sampling, testing and reporting requirements as required by the EPA. This is based on an assessment undertaken in 2015 and a reassessment of the provision at balance date in which the provision was measured at the net present value of the future rehabilitation costs including aftercare and site monitoring costs. Council will be required to incur additional costs should it be directed to adopt an alternative approach.

Council is budgeting \$0.350 million per annum until 2018 to build up the cash reserves to assist in meeting the provision requirements of both landfill sites.

Llewellyn Reserve is also recognised as a contingent liability (Note 35(d)).

	2016	2015
	\$'000	\$'000
Note 28 Interest-bearing loans and borrowings		
Current		
Borrowings - secured (1)	3,811	5,240
Non-Current		
Borrowings - secured (1)	9,436	10,127
	9,436	10,127
Total interest-bearing loans and borrowings	13,247	15,367

(1) Borrowings are secured by the general Council rates (Westpac, ANZ and Commonwealth Bank) or income of the Council (Commonwealth Bank).

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

Not later than one year	3,811	5,240
Later than one year and not later than five years	3,336	3,098
Later than five years	6,100	7,029
	13,247	15,367

**Notes to the Financial Statements
For the Year Ended 30 June 2016**

Note 29 Reserves

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
(a) Asset revaluation reserve			
2016			
Property			
Land	500,556	132,403	632,959
Buildings	45,516	6,500	52,016
	546,072	138,903	684,975
Plant and equipment			
Artworks	31	-	31
	31	-	31
Infrastructure			
Roads	253,618	2,688	256,306
Bridges	3,445	-	3,445
Footpaths and cycleways	10,348	7,614	17,962
Drainage	94,221	-	94,221
Off street car parks	9,050	(1,702)	7,348
Other infrastructure	2,795	-	2,795
	373,477	8,600	382,077
Total asset revaluation reserve	919,580	147,503	1,067,083
2015			
Property			
Land	500,556	-	500,556
Buildings	46,166	(650)	45,516
	546,722	(650)	546,072
Plant and equipment			
Artworks	31	-	31
	31	-	31
Infrastructure			
Roads	253,618	-	253,618
Bridges	3,445	-	3,445
Footpaths and cycleways	10,348	-	10,348
Drainage	94,221	-	94,221
Off street car parks	9,050	-	9,050
Other infrastructure	2,504	291	2,795
	373,186	291	373,477
Total asset revaluation reserve	919,939	(359)	919,580

Nature and purpose of asset revaluation reserve

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

**Notes to the Financial Statements
For the Year Ended 30 June 2016**

Note 29 Reserves (cont'd)

(b) Other reserves	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
2016				
Restricted reserves				
Open space reserve	8,161	4,147	(3,637)	8,671
Basketball stadium infrastructure reserve	76	24	-	100
HACC capital reserve	528	80	(100)	508
State basketball centre asset renewal fund	225	100	(36)	289
Football pitch replacement fund	151	153	-	304
Total restricted reserves	9,141	4,504	(3,773)	9,872
<i>Reserves are restricted in nature as either a statutory reserve or a discretionary reserve (eg: Council resolution) - refer to Note 18.</i>				
Unrestricted reserves				
Mountain Gate reserve	439	140	(579)	-
City futures fund	2,198	971	(8)	3,161
Landfill rehabilitation reserve	979	-	(979)	-
Revegetation net gain	50	71	-	121
Revolving energy fund	58	40	(28)	70
Community infrastructure	20	-	(20)	-
Capital projects reserve	280	-	(280)	-
Aged care reserve	4,590	250	(18)	4,822
Unexpended grant reserve (Victoria Grants Commission)	3,804	-	(3,804)	-
Stamford Park	-	14,716	(558)	14,158
Blue Hills	-	3,794	(373)	3,421
Scoresby recreation reserve	-	21	-	21
Total unrestricted reserves	12,418	20,003	(6,647)	25,774
Total other reserves	21,559	24,507	(10,420)	35,646

**Notes to the Financial Statements
For the Year Ended 30 June 2016**

Note 29 Reserves (cont'd)

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
(b) Other reserves (cont'd)	\$'000	\$'000	\$'000	\$'000
2015				
Restricted reserves				
Open space reserve	6,639	4,065	(2,543)	8,161
Basketball stadium infrastructure reserve	53	23	-	76
HACC capital reserve	541	52	(65)	528
State basketball centre asset renewal fund	75	150	-	225
Football pitch replacement fund	-	151	-	151
Total restricted reserves	7,308	4,441	(2,608)	9,141
<i>Reserves are restricted in nature as either a statutory reserve or a discretionary reserve (eg: Council resolution) - refer to Note 18.</i>				
Unrestricted reserves				
Mountain Gate reserve	614	140	(315)	439
City futures fund	1,494	1,147	(443)	2,198
Landfill rehabilitation reserve	1,014	350	(385)	979
Revegetation net gain	549	50	(549)	50
Revolving energy fund	59	47	(48)	58
Community infrastructure	20	-	-	20
Capital projects reserve	460	-	(180)	280
Aged care reserve	4,337	254	(1)	4,590
Unexpended grant reserve (Victoria Grants Commission)	-	3,804	-	3,804
Total unrestricted reserves	8,547	5,792	(1,921)	12,418
Total other reserves	15,855	10,233	(4,529)	21,559

Notes to the Financial Statements For the Year Ended 30 June 2016

Note 29 Reserves (cont'd)

(b) Other reserves (cont'd)

Nature and purpose of reserves

Open space reserve

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

Basketball stadium infrastructure reserve

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

Mountain Gate reserve

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

City futures fund

The purpose of this reserve is to construct major facilities within the Knox municipality.

Landfill rehabilitation reserve

The purpose of this reserve is to rehabilitate the landfill site at Cathies Lane and Llewellyn Reserve.

Revegetation net gain

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

HACC capital reserve

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

Revolving energy fund

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

Community infrastructure

The purpose of this reserve is to provide community infrastructure within the Mirvac development in Wantirna South.

Capital projects reserve

The purpose of this reserve is to provide for the refurbishment and upgrade of community facilities within the Knox municipality.

Aged care reserve

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

State basketball centre asset renewal fund

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

Football pitch replacement fund

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

Unexpended grant reserve (Victoria Grants Commission)

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

Stamford Park

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

Blue Hills

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

Scoresby recreation reserve

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

**Notes to the Financial Statements
For the Year Ended 30 June 2016**

	2016	2015
	\$'000	\$'000
Note 30 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus for the year	25,039	16,990
Depreciation/amortisation	19,145	18,647
Net (gain)/loss on disposal of property, infrastructure, plant and equipment	(15,691)	1,415
Contributions - non-monetary assets	(1,210)	(5,499)
Provision for bad and doubtful debts	(10)	(146)
Increment in investment in associate	(219)	(266)
Finance costs	874	989
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	(577)	(357)
(Increase)/decrease in prepayments	131	(757)
(Increase)/decrease in accrued income	(241)	(66)
Increase/(decrease) in trade and other payables	1,756	(1,151)
Increase/(decrease) in provisions	1,558	3,871
Increase/(decrease) in other liabilities	(532)	1,502
(Increase)/decrease in inventories	2	(2)
Net cash provided by operating activities	30,025	35,170
Note 31 Financing arrangements		
Bank overdraft	1,500	1,500
Credit card facilities	200	200
Total facilities	1,700	1,700
Used facilities	6	15
Unused facilities	1,694	1,685

Notes to the Financial Statements For the Year Ended 30 June 2016

Note 32 Commitments

The Council has entered into the following commitments:

2016	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
Operating					
Garbage collection and recycling	14,306	14,488	25,649	16,402	70,845
Open space management	591	18	8	-	617
Consultancies	1,978	235	184	-	2,397
Cleaning contracts for council buildings	751	518	-	-	1,269
Infrastructure management	2,438	146	63	-	2,647
Total	20,064	15,405	25,904	16,402	77,775
Capital					
Buildings	446	180	103	-	729
Roads	1,510	202	202	-	1,914
Other infrastructure	1,423	-	-	-	1,423
Total	3,379	382	305	-	4,066
2015	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
Operating					
Garbage collection and recycling	15,156	14,676	28,262	9,379	67,473
Open space management	342	339	-	-	681
Consultancies	1,253	785	83	-	2,121
Home care services	196	-	-	-	196
Cleaning contracts for council buildings	248	201	179	-	628
Meals for delivery	114	114	-	-	229
Infrastructure management	833	499	109	-	1,441
Total	18,141	16,616	28,633	9,379	72,768
Capital					
Buildings	143	152	189	-	484
Roads	3,381	472	-	-	3,853
Drainage	-	-	-	-	-
Other infrastructure	1,641	-	-	-	1,641
Total	5,166	624	189	-	5,979

Notes to the Financial Statements For the Year Ended 30 June 2016

	2016 \$'000	2015 \$'000
Note 33 Operating leases		
(a) 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	715	669
Later than one year and not later than five years	1,175	1,065
Later than five years	345	509
	2,235	2,243

(b) Operating lease receivables

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

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

Not later than one year	323	325
Later than one year and not later than five years	1,149	1,047
Later than five years	8,884	9,012
	10,356	10,384

Note 34 Superannuation

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

Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2016, this was 9.5% as required under Superannuation Guarantee legislation (9.5% in 2014-15)).

Defined Benefit

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

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 Knox City 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 Employee Benefits.

Funding arrangements

Knox City 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.

Notes to the Financial Statements For the Year Ended 30 June 2016

Note 34 Superannuation (cont'd)

Funding arrangements (cont'd)

As at 30 June 2015, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Knox City Council is a contributing employer was 105.8%. To determine the VBI, the fund Actuary used the following long-term assumptions:

Net investment returns	7.0% pa
Salary information	4.25% pa
Price inflation (CPI)	2.5% pa

Vision Super has advised that the VBI at the quarter ended 30 June 2016 was 102.0%. The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2015 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 2015 interim actuarial investigation conducted by the Fund Actuary, Knox City 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 2016, this rate was 9.5% of members' salaries (9.5% in 2014-15). This rate will increase in line with any increase to the contribution rate. In addition, Knox City 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 Knox City 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.

2015 Interim actuarial investigation surplus amounts

The Fund's interim actuarial investigation as at 30 June 2015 identified the following in the defined benefit category of which Knox City Council is a contributing employer:

- A VBI surplus of \$130.8 million; and
- A total service liability surplus of \$239 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 2015. 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. Knox City Council was notified of the 30 June 2015 VBI in August 2015.

Future superannuation contributions

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2017 is \$0.500 million.

Notes to the Financial Statements For the Year Ended 30 June 2016

Note 35 **Contingent liabilities and contingent assets**

Contingent liabilities

(a) Contingent liabilities arising from professional indemnity

As a local authority with statutory regulatory responsibilities, including the responsibility of issuing permits and approvals, the Council is at times met with claims and demands for damages allegedly arising from the actions of the Council or its officers. There are no outstanding claims against Council in this regard. The Council carries \$300.000 million (\$300.000 million 2014-15) of professional indemnity insurance and has an excess of \$0.020 million (\$0.020 million – 2014-15) per claim on this policy. Therefore, the maximum liability of the Council in any single claim is the extent of its excess. The primary insurer is LMI (MAV Insurance). There are no claims that Council is aware of which would fall outside the terms of the Council's policy.

(b) Contingent liabilities arising from public liability

As a large local authority with ownership of numerous parks, reserves, roads and other land holdings, the Council is regularly met with claims and demands allegedly arising from an incident that occurs on land belonging to the Council. There are ten outstanding claims against the Council in this regard. The Council carries \$400.000 million (\$400.000 million 2014-15) of public liability insurance and has an excess of \$0.020 million (\$0.020 million – 2014-15) per claim on this policy. Therefore, the maximum liability of the Council in any single claim is the extent of its excess. The primary insurer is LMI (MAV Insurance). There are no claims that Council is aware of which would fall outside the terms of the Council's policy.

(c) Rehabilitation costs Cathies Lane landfill site

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

In the financial report for June 2016, Council has an amount of \$4.527 million as a provision for the restoration and for an ongoing commitment in relation to site aftercare to meet EPA obligations of the Cathies Lane landfill site (Note 27(b)). This is based on an assessment undertaken in 2015 and a reassessment of the provision at balance date in which the provision was measured at the net present value of the future rehabilitation costs including aftercare and site monitoring costs. Council will be required to incur additional costs should it be directed to adopt an alternative approach.

Revised measures to be implemented for the long term management of leachate and landfill gas were completed in 2015-16. A bank guarantee for \$1.094 million is in place for thirty years post closure as required by the EPA.

(d) Rehabilitation costs Llewellyn Reserve landfill site

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

Future management options for leachate and landfill gas have been completed in 2015-16. This has required that Council install a landfill gas extraction system at the site.

In the financial report for June 2016, Council has an amount of \$2.874 million as a provision for the restoration and for ongoing monitoring and reporting of the Llewellyn Reserve landfill site (Note 27(b)). This is based on an assessment undertaken in 2015 and a reassessment of the provision at balance date in which the provision was measured at the net present value of the future rehabilitation costs including aftercare and site monitoring costs. Council will be required to incur additional costs should it be directed to adopt an alternative approach.

The Post Closure Pollution Abatement notice requires Council to have in place a financial assurance for the Llewellyn Park site, which was previously not required. The EPA have indicated that for sites operated by Local Government, internal provisioning of adequate costs for rehabilitation and aftercare in the future may be a sufficient form of a financial assurance (instead of a bank guarantee) however further guidance on this is still pending.

Notes to the Financial Statements For the Year Ended 30 June 2016

Note 35 Contingent liabilities and contingent assets (cont'd)

Contingent liabilities (cont'd)

(e) Contingent liabilities arising from potential shortfall in Defined Benefit Superannuation Plan (fund closed to new members in 1993)

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 in Note 34. 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.

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

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

Contingent assets

(g) Contingent assets

As a result of development activity within the Knox municipality, Council has identified as a contingent asset the developer contributions of infrastructure assets and open space contributions to be received in respect of subdivisions that are currently under development totalling \$19.837 million (2014-15, \$5.447 million).

Note 36 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 and financial liability is disclosed in Note 1 of the financial statements. Risk management is carried out by senior management under policies approved by the Council. These policies include identification and analysis of the risk exposure to Council and appropriate procedures, controls and risk minimisation.

(b) Market risk

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

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. 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. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

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

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

Notes to the Financial Statements For the Year Ended 30 June 2016

Note 36 Financial instruments (cont'd)

(b) Market risk (cont'd)

Interest rate risk (cont'd)

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

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

(c) Credit risk

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

- has adopted a Debt Collection and Management Policy and procedure which provides guidelines for the management and collection of outstanding debts
- may require collateral where appropriate
- invests surplus funds with financial institutions which have a recognised credit rating specified in 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 the provision of a guarantee for another party. Details of our contingent liabilities are disclosed in Note 35.

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

(d) Liquidity risk

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

To help reduce these risks Council:

- has an investment policy which specifies the need to meet Council's cash flow requirements
- has readily accessible standby facilities and other funding arrangements in place
- has a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments
- monitors budget to actual performance on a regular basis
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 35, 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 28.

(e) Fair value

Fair value hierarchy

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

Notes to the Financial Statements For the Year Ended 30 June 2016

Note 36 Financial instruments (cont'd)

(f) Sensitivity disclosure analysis

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

- a parallel shift of +1% and -1% in market interest rates (AUD) from year-end rates of 2.621% which is Council's average 90 day term deposit interest rate
- a parallel shift of +1% and -1% in market interest rates (AUD) from a year-end rate of 2.695% which is Council's interest rate for variable loan borrowings for the financial year.

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.

Note 37 Related party transactions

(i) Responsible persons

Names of persons holding the position of a Responsible Person at Knox City Council during the year were:

Councillors	Councillor Tony Holland (Mayor)	Mayor from 11 November 2015 to current.
	Councillor Peter Lockwood (Mayor)	Mayor from 1 July 2015 to 11 November 2015.
	Councillor Darren Pearce	
	Councillor Karin Orpen	
	Councillor Adam Gill	
	Councillor Joe Cossari	
	Councillor John Mortimore	
	Councillor Nicole Seymour	
	Councillor Lisa Cooper	
Chief Executive Officer	Kerry Stubbings (Acting)	15 April 2016 to 24 June 2016
	Joanne Truman (Acting)	29 January 2016 to 15 April 2016, 24 June 2016 to 30 June 2016
	Dr Graeme Emonson	1 July 2015 to 29 January 2016

(ii) Remuneration of responsible persons

The numbers of Responsible Persons whose total remuneration from Council and any related entities, excluding retirement benefits, fall within the following bands:

	2016	2015
	No.	No.
\$1 - \$9,999	-	1
\$10,000 - \$19,999	-	1
\$30,000 - \$39,999	7	6
\$40,000 - \$49,999	-	1
\$50,000 - \$59,999	1	-
\$70,000 - \$79,999	-	1
\$80,000 - \$89,999	1	-
\$370,000 - \$379,999	-	1
\$580,000 - \$589,999 *	1	-
	10	11

* Includes payment of leave entitlements on resignation.

	\$'000	\$'000
Total remuneration for the reporting year for Responsible Persons included above amounted to:	977	706

Notes to the Financial Statements For the Year Ended 30 June 2016

Note 37 Related party transactions (cont'd)

(iii) Senior officers remuneration

A Senior Officer other than a Responsible Person is an officer of Council who:

- (a) has management responsibilities and reports directly to the Chief Executive Officer; or
- (b) whose total annual remuneration exceeds \$139,000 (\$136,000 in 2014-15).

The number of Senior Officers other than the Responsible Persons, are shown below in their relevant income bands:

Income range	2016 No.	2015 No.
< \$139,000	-	3
\$139,000 - \$139,999	2	-
\$140,000 - \$149,999	7	3
\$150,000 - \$159,999	1	3
\$160,000 - \$169,999	4	8
\$170,000 - \$179,999	7	3
\$180,000 - \$189,999	1	1
\$210,000 - \$219,999	1	-
\$230,000 - \$239,999	1	1
\$240,000 - \$249,999	2	3
\$250,000 - \$259,999	2	-
\$260,000 - \$269,999	-	1
\$280,000 - \$289,999	1	-
	29	26
	\$'000	\$'000
Total remuneration for the reporting year for Senior Officers included above amounted to:	5,205	4,562

(iv) Responsible persons retirement benefits

The aggregate amount paid during the reporting period by Council in connection with the retirement of responsible persons was Nil (2014-15: Nil).

(v) Loans to responsible persons

The aggregate amount of loans in existence at balance date that have been made, guaranteed or secured by the Council to a responsible person of the Council, or a related party of a responsible person is Nil (2014-15: Nil).

(vi) Transactions with responsible persons

During the period Council entered into no transactions with responsible persons or related parties of responsible persons (2014-15: Nil).

Note 38 Events occurring after balance date

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

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.

Dale Monk, B. Bus. (Acc), CPA
Principal Accounting Officer

Date: XX August 2016

Wantirna South

In our opinion the accompanying financial statements present fairly the financial transactions of Knox City Council for the year ended 30 June 2016 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.

Mayor/Councillor

Date: XX August 2016

Wantirna South

Cr
Councillor

Date: XX August 2016

Wantirna South

Tony Doyle
Chief Executive Officer

Date: XX August 2016

Wantirna South



Performance Statement For the Year Ended 30 June 2016



Performance Statement

For the year ended 30 June 2016

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

Description of municipality

Located approximately 25 kilometres from Melbourne's Central Business District, Knox is a major hub of cultural, commercial, business and innovative activity in the eastern suburbs of Melbourne. It is a diverse municipality with residents from 130 different countries who speak 54 languages. The City of Knox has an estimated resident population of 155,681 (as at 30 June 2015) and covers an area of 113.84 square kilometres. The area boasts a green, leafy image extending to the foothills of the picturesque Dandenong Ranges. Knox comprises the following suburbs: The Basin, Bayswater, Boronia, Ferntree Gully, Knoxfield, Lysterfield, Rowville, Sassafras, Scoresby, Upper Ferntree Gully, Wantirna and Wantirna South.

Sustainable Capacity Indicators

For the year ended 30 June 2016

Service/Indicator/measure	Result		Material Variations
	2015	2016	
Population			
<i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$899.43	\$919.62	
<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$5,545.93	\$5,663.62	
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	215.68	215.92	
Own-source revenue			
<i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$741.84	\$888.59	The 2016 result reflects the net gain on the disposal of property, infrastructure, plant and equipment of \$15.691 million primarily reflecting the sale of a parcel of land at Stamford Park.
Recurrent grants			
<i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$184.31	\$130.59	In 2015 Council received \$3.292 million in prepaid 2016 Victoria Grants Commission Grant funding. In 2016 Council ceased family day care and early intervention programs reducing grant income. This is matched by reduced expenditure.
Disadvantage			
<i>Relative socio-economic disadvantage</i> [Index of Relative Socio-economic Disadvantage by decile]	9.00	9.00	

Definitions

"adjusted underlying revenue" means total income other than:

- (a) non-recurrent grants used to fund capital expenditure;
- (b) non-monetary asset contributions; 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 website

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

Service Performance Indicators

For the year ended 30 June 2016

Service/Indicator/measure	Result		Material Variations and Comments
	2015	2016	
<p>Animal Management</p> <p>Health and Safety</p> <p><i>Animal management prosecutions</i> [Number of successful animal management prosecutions]</p>	15.00	5.00	<p>Council's enforcement approach under the Domestic Animals Act continues to prosecute defendants that cannot be dealt with by way of direct fines, mostly serious dog attacks. Council's education and ongoing enforcement continues to see a reduction in prosecutions.</p>
<p>Aquatic facilities</p> <p>Utilisation</p> <p><i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]</p>	3.62	3.67	<p>Council's aquatic facilities continue to experience growth in utilisation.</p>
<p>Food safety</p> <p>Health and Safety</p> <p><i>Critical and major non-compliance outcome notifications</i> [Number of critical non-compliance outcome notifications and major non-compliance outcome notifications about a food premises followed-up / Number of critical non-compliance outcome notifications and major non-compliance outcome notifications about food premises] x100</p>	94.73%	91.95%	<p>Due to timing issues 35 follow up visits were outstanding at the time of reporting.</p>
<p>Governance</p> <p>Satisfaction</p> <p><i>Satisfaction with council decisions</i> [Community satisfaction rating out of 100 with the performance of Council in making decisions in the interest of the community]</p>	59.00	62.00	<p>Knox performance against this question increased to a score of 62 in 2016, 3 points higher than 2015. The result is 3 points higher than the Melbourne Metropolitan average result of 59, and higher than the state wide average of 55.</p>

<p>Home and Community Care</p> <p>Participation <i>Participation in HACC service</i> [Number of people that received a HACC service / Municipal target population for HACC services] x100</p> <p>20.78%</p> <p>19.77%</p> <p>Council assisted 2,524 HACC clients with Domestic Assistance, Personal Care and Respite Care. Council also provides other HACC services - home maintenance, occupational therapy, food services and planned activity groups. In total, 3,652 residents were provided with HACC services. These figures are consistent with those in 2014-15</p> <p><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</p> <p>17.72%</p> <p>17.49%</p> <p>Participation in HACC service by CALD people remained stable in 2015-16.</p>			
<p>Libraries</p> <p>Participation <i>Active library members</i> [Number of active library members / Municipal population] x100</p> <p>18.14%</p> <p>17.52%</p> <p>The number of active library members remained relatively stable in 2015-16 despite a loss of 45 days to branch closures and the outreach vehicle being out of use during total fire ban days.</p>			
<p>Maternal and Child Health (MCH)</p> <p>Participation <i>Participation in the MCH service</i> [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100</p> <p>82.75%</p> <p>0.00%</p> <p>LGV has provided an extension for the MCH indicators until the end of October 2016 due to a statewide software issue</p> <p>Participation <i>Participation in the MCH service by Aboriginal children</i> [Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100</p> <p>92.31%</p> <p>0.00%</p> <p>LGV has provided an extension for the MCH indicators until the end of October 2016 due to a statewide software issue</p>			
<p>Roads</p> <p>Satisfaction <i>Satisfaction with sealed local roads</i> [Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]</p> <p>70.00</p> <p>67.00</p> <p>Performance against this indicator decreased by 3 points to a score of 67 in 2016 compared to 70 in the 2015 survey.</p>			

<p>Statutory Planning</p> <p>Decision-making</p> <p><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</p>	41.67%	44.83%	Council continues to have success at VCAT. It is anticipated that the State Government's approval of the Knox Housing Strategy (Amendment C131 to the Knox Planning Scheme) will further improve VCAR rates in the future,
<p>Waste Collection</p> <p>Waste diversion</p> <p><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</p>	53.30%	52.01%	Council's percentage of kerbside waster being diverted from landfill has remained relatively stable during 2015-16.

Definitions

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

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

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

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

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

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

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

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

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

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

"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 authorised

officer under that Act, of a deficiency that does not pose an immediate serious threat to public health but may do so if no remedial action is taken

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

"population" means the resident population estimated by council

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

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

Financial Performance Indicators

For the year ended 30 June 2016

Financial Performance Indicators								
Dimension/ <i>indicator/measure</i>		Results 2015	Results 2016	Forecasts			Material Variations and Comments	
				2017	2018	2019		2020
E1	Efficiency Revenue level <i>Average residential rate per residential property assessment</i> [Residential rate revenue / Number of residential property assessments]	\$1,266.69	\$1,290.92	\$1,276.19	\$1,439.37	\$1,475.53	\$1,504.48	Reduction in total staff numbers during 2016 due to cessation of services, including family day care. Council does not forecast future workforce turnover.
	Expenditure level <i>Expenses per property assessment</i> [Total expenses / Number of property assessments]	\$2,196.09	\$2,232.71	\$2,257.17	\$2,326.15	\$2,372.36	\$2,435.07	
E3	Workforce turnover <i>Resignations and terminations compared to average staff</i> [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	7.94%	11.70%	0.00%	0.00%	0.00%	0.00%	
L1	Liquidity Working capital <i>Current assets compared to current liabilities</i> [Current assets / Current liabilities] x100	181.09%	229.86%	177.71%	157.78%	146.28%	148.99%	At balance date a higher value of current assets was held compared to 2015 due to proceeds received from a sale of land increasing cash assets.

Unrestricted cash								
L2	<i>Unrestricted cash compared to current liabilities</i> [Unrestricted cash / Current liabilities] x100	45.74%	-11.27%	123.70%	97.58%	92.08%	89.60%	The composition of Council's cash holdings is invested in term deposits with original maturity greater than 90 days which is not reflected in this measure. At 30 June 2016, Council had \$34.8 million in term deposits due to mature within 90 days.
Obligations								
Asset renewal								
O1	<i>Asset renewal compared to depreciation</i> [Asset renewal expense / Asset depreciation] x100	109.72%	101.74%	132.05%	132.76%	123.23%	129.57%	Future years reflect a greater anticipated expenditure in asset renewal.
Loans and borrowings								
O2	<i>Loans and borrowings compared to rates</i> [Interest bearing loans and borrowings / Rate revenue] x100	15.99%	12.99%	30.37%	42.57%	48.26%	23.28%	In 2016 there was a 5.4% rates increase and over this same period there has been a reduction of loans due to meeting scheduled principle payments.
O3	<i>Loans and borrowings repayments compared to rates</i> [Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100	3.14%	2.94%	3.80%	4.59%	4.29%	25.67%	Year 2020 reflects a significant repayment of interest bearing loans and borrowings.
Indebtedness								
O4	<i>Non-current liabilities compared to own source revenue</i> [Non-current liabilities / Own source revenue] x100	14.38%	12.36%	28.24%	39.26%	44.04%	20.13%	The percentage of non-current assets to own source revenue has reduced in 2016 due to a one off land sale.

Operating position <i>Adjusted underlying result</i>								The increase in surplus for the 2015-16 year is mainly attributed to a sale of land event. The proceeds of this sale will be used for improvements to the parkland in the surrounding area.
OP1	<i>Adjusted underlying surplus (or deficit)</i> [Adjusted underlying surplus (deficit)/ Adjusted underlying revenue] x100	7.05%	13.59%	4.33%	3.83%	4.07%	12.47%	
Stability <i>Rates concentration</i>								
S1	<i>Rates compared to adjusted underlying revenue</i> [Rate revenue / Adjusted underlying revenue] x100	63.86%	61.56%	68.57%	69.36%	69.76%	63.43%	
<i>Rates effort</i>								
S2	<i>Rates compared to property values</i> [Rate revenue / Capital improved value of rateable properties in the municipality] x100	0.29%	0.30%	0.26%	0.30%	0.28%	0.29%	

Definitions

"adjusted underlying revenue" means total income other than:

- (a) non-recurrent grants used to fund capital expenditure;
- (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.

Certification of the performance statement 2015-16

Statement by Principal Accounting Officer

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*.

Dale Monk, B.Bus. (Acc), CPA
Principal Accounting Officer

Date: XX August 2016

Wantirna South

Statement by Councillors and Chief Executive Officer

In our opinion, the accompanying Performance Statement of Knox City Council for the year ended 30 June 2016 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.

At the date of signing, we are not aware of any circumstances that would render any particulars in the Performance Statement to be misleading or inaccurate.

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

Mayor/Councillor

Date: XX August 2016

Wantirna South

Cr

Councillor

Date: XX August 2016

Wantirna South

Tony Doyle

Chief Executive Officer

Date: XX August 2016

Wantirna South