

SUPPLEMENTARY AGENDA

knox
your city



Ordinary Meeting of Council

To be held via Zoom

On

Monday 24 August 2020 at 7:00 pm

Items added to Order of Business

12 Motions for Which Notice has Previously Been Given3

 12.2 Notice of Motion 107 – Supporting the National Redress Scheme3

13 Supplementary Items.....4

 13.1 Unaudited 2019-20 Annual Financial Statements and Performance Statement.....4

Tony Doyle
Chief Executive Officer

12 Motions for Which Notice has Previously Been Given

12.2 Notice of Motion 107 – Supporting the National Redress Scheme



Date 20 August 2020

Notice of Motion No 107

Supporting the National Redress Scheme

I hereby give notice that it is my intention to move the following motion at the Council Meeting on 24 August 2020:

That Council resolve:

- 1) To note that the National Redress Scheme has been created in response to recommendations by the Royal Commission into Institutional Responses to Child Sexual Abuse (the Royal Commission).
- 2) To express Council's strong expectations that all organisations named in the Royal Commission should participate in the National Redress Scheme.
- 3) To note that Senator the Hon. Anne Ruston, Minister for Families and Social Services, issued a media release on 1 July 2020 announcing that non-participating organisations will be ineligible to apply for future Commonwealth funding and that the Commonwealth Government is investigating options to revoke tax concessions for non-participating organisations such as their charitable status.
- 4) To support the National Redress Scheme and the Commonwealth Government by resolving that any organisation named by the Royal Commission that is identified as an organisation that is not participating in the National Redress Scheme, and that has not committed to participate in the national redress scheme, shall be:
 - Ineligible for council grants and similar financial support of any kind;
 - Ineligible to hire, lease or license council facilities;
 - Ineligible to participate in any Knox Council run community event in any official capacity; and
 - Ineligible to receive a permit to hand out information on council property.

Cr Jake Keogh

A handwritten signature in black ink that reads 'Jake P. Keogh'. The signature is written in a cursive, flowing style.

13 Supplementary Items

13.1 Unaudited 2019-20 Annual Financial Statements and Performance Statement

SUMMARY: Acting Manager, Business and Financial Services, Dennis Bastas

The unaudited 2019-20 Annual Financial Statements and Performance Statement are presented for consideration and adoption in principle. These Statements were reviewed and endorsed by Council's Audit Committee at its meeting on Thursday 20 August 2020.

RECOMMENDATION

That Council:

- 1. Receive and adopt in principle the draft 2019-20 Annual Financial Statements (Attachment 1) and Performance Statement (Attachment 2) for the year ending 30 June 2020.**
- 2. Authorise the Principal Accounting Officer to make changes to the Financial Statement as determined by the Auditor-General; and consult with the Audit Committee prior to making any material amendments to these Statements as determined by the Auditor-General; and communicate any material amendments to Council as soon as possible.**
- 3. Nominate and authorise Councillor and Councillor to certify (on behalf of Council) the 2019-20 Annual Financial Statement, in the final form.**

1. INTRODUCTION

BDO (agents of the Victorian Auditor-General's Office) has undertaken the external audit of the 2019-20 Annual Financial Statements and Performance Statement.

The Annual Financial Statements, consisting of Financial Statements and Notes (refer Attachment 1), 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 20 August 2020, having reviewed the Annual Financial Statements and Performance Statement, recommended that Council adopt the unaudited 2019-20 Annual Financial Statements and Performance Statement on an in principle basis and submit them to the Victorian Auditor-General for final audit.

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.

2. DISCUSSION

Annual Financial Statements

The draft Financial Statements indicate the performance for the year and the financial position of Council as at 30 June 2020. While the external audit has not yet been finalised, it is expected there will be no major changes to the Statements as presented.

On 20 August 2020, the Audit Committee endorsed the Financial Statements and we are now seeking an approval in principle.

COVID-19

The uncertainties arising from COVID-19 will continue to be assessed. Council is in a strong financial position, indicated by a modest surplus, strong working capital and nil borrowings. A strong capital works program has been maintained, and Council has responded to the COVID-19 pandemic by introducing a \$3 million community and business support package in the 2020-21 budget. Disclosures made in the Financial Statements regarding COVID-19 align to VAGO guidance for the local government sector (Refer to notes 8.5 and 8.6 in the Financial Statements).

Comprehensive Operating Statement

Council ended the financial year in a strong financial position. Council's surplus for 2020 was \$9.786 million, which was a favourable variance of \$6.148 million when compared to the 2019-20 Adopted Budget surplus of \$3.638 million. The key variances were:

- Favourable variance of \$2.234 million in Operating Grants, including \$1.573 million in COVID-19 related grants for childcare, kindergarten, meals on wheels, and the Working for Victoria Fund.
- Favourable variance of \$2.160 million in Capital Grants, including the receipt of \$1.807 million in unbudgeted capital grants.
- Favourable variance of \$6.725 million in Materials and Services. There is a continued focus on containment of operating costs throughout Council, whilst maintaining services for the community. Further contributing to the favourable variance is \$2.714 million reduction in operating projects expenditure unable to be completed due to the carry forward of capital works to 2020-21 and a \$2.420 million reduction in the landfill rehabilitation provision.
- Favourable variance of \$2.284 million in Borrowing Costs as budgeted borrowings did not eventuate.

Favourable variances are offset by the following:

- Unfavourable variance of \$2.305 million in User Fees, due to the reduction in fees received in childcare (\$1.520 million, partially offset by the increase in operating grants received), kindergarten (\$0.347 million, offset by the increase in operating grants received), and Leisure Services (\$0.666 million). The majority of these reduction in fees are related to COVID-19.
- Unfavourable variance of \$5.928 million in employee costs is partially offset by increases in income or reductions in Materials and Services, and includes \$2.440 million in employee costs for capital works that have been deemed operational in nature, while the employee provision liabilities have increased \$2.913 million from 30 June 2019.

Balance Sheet

Working Capital

The Balance Sheet reflects a strong position with a Working Capital ratio (liquidity) of 1.69:1 or 169%.

Total cash holdings (cash on hand and term deposits) were \$40.484 million (2019 \$56.245 million) at balance date.

Total trade and other receivables were \$15.492 million (the 2019 figure was \$17.311 million). Rates debtors increased from \$8.639 million in 2019 to \$10.997 million in 2020, as a result of increased payment plans and arrangements.

Property

Council performed full revaluations for Land and Buildings and Infrastructure for the 2019-20 financial year. Revaluations considered the impacts of COVID-19. The results of the revaluation resulted in an overall decrease to the value of assets of \$104.930 million.

The decrease was largely driven by a decline in land value over the past two years of 5% per year.

The revaluations were conducted in accordance with the Australian accounting standards.

Performance Statement

On 20 August 2020, the Audit Committee endorsed the Performance Statement.

Section 131(2)(b) of the Local Government Act 1989 requires the annual report to include an audited Performance Statement. The Performance Statement reports results of indicators established by the Victoria Local Government Performance Reporting Framework (LGPRF).

The Performance 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 Performance Statement provides four years of comparatives (2015-16, 2016-17, 2017-18 and 2018-19) to provide trend data.

The Local Government (Planning and Reporting) Regulations 2014 require councils to provide commentary for all material variations in the results between the current year and previous years. Management has set its material threshold at plus or minus 10% of the previous year's result. Based on this materiality threshold, eight results for the prescribed indicators are reporting a material variance requiring comment. Council has provided comments to assist readers in interpreting the results.

3. CONSULTATION

This report does not require consultation. The 2019-20 Annual Financial Statements and Performance Statement will be publicly available as part of the 2019-20 Annual Report.

4. ENVIRONMENTAL/AMENITY ISSUES

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

5. FINANCIAL & ECONOMIC IMPLICATIONS

The 2019-20 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 KNOX COMMUNITY AND COUNCIL PLAN 2017-2021

Goal 8 - We have confidence in decision making

Strategy 8.1 - Build, strengthen and promote good governance practices across government and community organisations

8. CONFLICT OF INTEREST

Under section 80c of the Local Government Act 1989 officers providing advice to Council must disclose any interests, including the type of interest.

Author - Acting Manager, Business and Financial Services, Dennis Bastas - In providing this advice as the Author, I have no disclosable interests in this report.

Officer Responsible – Acting Director, City Development, Interim Finance and Governance, Anthony Petherbridge - In providing this advice as the Officer Responsible, I have no disclosable interests in this report.

9. CONCLUSION

The 2019-20 Annual Financial Statements indicate that Council's overall financial position is strong. The 2019-20 Performance Statement highlights Council's performance successes over the financial year.

10. CONFIDENTIALITY

There are no items of a confidential nature in this report.

Report Prepared By: Acting Manager, Business and Financial Services, Dennis Bastas

Report Authorised By: Acting Director, City Development, Interim Finance and Governance, Anthony Petherbridge

Attachments

1. Attachment 1 - Draft Annual Financial Statements 2019-20 [**13.1.1** - 65 pages]
2. Attachment 2 - Draft Performance Statement 2019-20 [**13.1.2** - 11 pages]

**KNOX CITY COUNCIL
ANNUAL FINANCIAL REPORT**

For the Year Ended 30 June 2020

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**Knox City Council
Financial Report
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Knox City Council Certification of the Financial Statements

Statement by Principal Accounting Officer

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

<Principal Accounting Officer Name & Qualifications>

Principal Accounting Officer

<Date>

Wantirna South

Statement by Councillors and Chief Executive Officer

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

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

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

Cr Nicole Seymour

Mayor

<Date>

Wantirna South

Cr Marcia Timmers-Leitch

Deputy Mayor

<Date>

Wantirna South

Tony Doyle

Chief Executive Officer

<Date>

Wantirna South

**Knox City Council
VAGO Report**

<Insert VAGO report - page 1>

**Knox City Council
VAGO Report**

<Insert VAGO report - page 2>

**Comprehensive Income Statement
For the Year Ended 30 June 2020**

	Note	2020 \$'000	2019 \$'000
Income			
Rates and charges	3.1	117,249	114,214
Statutory fees and fines	3.2	3,102	3,348
User fees	3.3	14,608	14,741
Grants - operating	3.4	24,699	24,336
Grants - capital	3.4	4,120	8,892
Contributions - monetary	3.5	7,694	9,835
Contributions - non-monetary	3.5	1,801	1,936
Share of net profits (or loss) of associates and joint ventures	6.3	316	182
Other income	3.7	2,240	2,744
Total income		<u>175,829</u>	<u>180,228</u>
Expenses			
Employee costs	4.1	(76,789)	(69,355)
Materials and services	4.2	(57,216)	(56,477)
Depreciation	4.3	(22,374)	(20,181)
Amortisation - intangible assets	4.4	(429)	(507)
Amortisation - right-of-use assets	4.5	(299)	-
Bad and doubtful debts	4.6	(344)	(234)
Finance costs - leases	4.7	(18)	-
Contributions and donations	4.8	(5,865)	(6,304)
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	3.6	(1,624)	(424)
Other expenses	4.9	(1,085)	(1,187)
Total expenses		<u>(166,043)</u>	<u>(154,669)</u>
Surplus for the year		<u>9,786</u>	<u>25,559</u>
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment (or decrement)	9.1	(104,930)	24,584
Total comprehensive result		<u>(95,144)</u>	<u>50,143</u>

The above Comprehensive Income Statement should be read in conjunction with the accompanying notes.

Balance Sheet
As at 30 June 2020

	Note	2020 \$'000	2019 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1	30,584	33,145
Other financial assets	5.1	9,900	23,100
Trade and other receivables	5.1	15,492	17,311
Inventories		6	9
Non-current assets classified as held for sale	6.1	1,194	1,194
Other Assets	5.2	539	1,111
Total current assets		57,715	75,870
Non-current assets			
Property, infrastructure, plant and equipment	6.2	1,966,272	2,043,472
Right-of-use assets	5.7	813	-
Intangible assets	5.2	614	934
Investment in Eastern Regional Libraries Corporation	6.3	4,920	4,604
Total non-current assets		1,972,619	2,049,010
Total assets		2,030,334	2,124,880
Liabilities			
Current liabilities			
Trade and other payables	5.3	12,528	13,999
Trust funds and deposits	5.3	1,584	2,035
Unearned income	5.3	1,334	132
Provisions	5.4	18,392	15,912
Lease liabilities	5.7	362	-
Total current liabilities		34,200	32,078
Non-current liabilities			
Provisions	5.4	3,930	5,913
Lease liabilities	5.7	459	-
Total non-current liabilities		4,389	5,913
Total liabilities		38,589	37,991
Net assets		1,991,745	2,086,889
Equity			
Accumulated surplus		697,657	683,276
Reserves	9.1	1,294,088	1,403,613
Total equity		1,991,745	2,086,889

The above Balance Sheet should be read in conjunction with the accompanying notes.

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

2020	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		2,086,889	683,276	1,360,569	43,044
Surplus for the year		9,786	9,786	-	-
Net asset revaluation increment/(decrement)	6.2	(104,930)	-	(104,930)	-
Transfers to other reserves	9.1	-	(9,322)	-	9,322
Transfers from other reserves	9.1	-	13,917	-	(13,917)
Balance at end of the financial year		1,991,745	697,657	1,255,639	38,449

2019	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		2,036,745	658,229	1,335,985	42,531
Surplus for the year		25,559	25,559	-	-
Net asset revaluation increment/(decrement)	6.2	24,584	-	24,584	-
Transfers to other reserves	9.1	-	(12,858)	-	12,858
Transfers from other reserves	9.1	-	12,346	-	(12,346)
Balance at end of the financial year		2,086,889	683,276	1,360,569	43,044

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

Statement of Cash Flows
For the Year Ended 30 June 2020

	Note	2020 Inflows/ (Outflows) \$'000	2019 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		114,914	114,661
Statutory fees and fines		2,691	3,401
User fees		15,561	10,815
Grants - operating		25,146	23,885
Grants - capital		8,024	8,892
Contributions - monetary		7,928	9,987
Interest received		623	1,285
Net GST refund		11,786	10,282
Other receipts		1,880	2,169
Net movement in trust deposits		(451)	(1,648)
Employee costs		(74,895)	(69,575)
Materials and services		(69,539)	(69,055)
Contributions and donations		(6,420)	(6,895)
Short-term, low value and variable lease payments		(466)	-
Other payments		(714)	(1,254)
Net cash provided by operating activities		36,068	36,950
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	6.2	(52,143)	(47,238)
Proceeds from sales of property, infrastructure, plant and equipment		624	2,283
Payments for investments		(9,900)	(23,100)
Proceeds from sale of investments		23,100	46,600
Net cash used in investing activities		(38,319)	(21,456)
Cash flows from financing activities			
Finance costs		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Interest paid - lease liability		(18)	-
Repayment of lease liabilities		(292)	-
Net cash used in financing activities		(310)	-
Net increase/(decrease) in cash and cash equivalents		(2,561)	15,494
Cash and cash equivalents at the beginning of the financial year		33,145	17,651
Cash and cash equivalents at the end of the financial year		30,584	33,145
Financing arrangements	5.5		
Restrictions on cash assets	5.1		

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

**Statement of Capital Works
For the Year Ended 30 June 2020**

	Note	2020 \$'000	2019 \$'000
Property			
Land		-	-
Total land		<u>-</u>	<u>-</u>
Buildings		18,797	20,587
Total buildings		<u>18,797</u>	<u>20,587</u>
Total property		<u>18,797</u>	<u>20,587</u>
Plant and equipment			
Artworks		42	24
Plant, machinery and equipment		1,853	2,702
Fixtures, fittings and furniture		17	-
Computers and telecommunications		1,057	366
Total plant and equipment		<u>2,969</u>	<u>3,092</u>
Infrastructure			
Roads		8,524	8,282
Bridges		2,962	2,730
Footpaths and cycleways		4,527	3,868
Drainage		3,641	2,474
Recreational, leisure and community facilities		8,442	7,729
Off street car parks		807	1,137
Other infrastructure		70	219
Total infrastructure		<u>28,973</u>	<u>26,439</u>
Total capital works expenditure		<u>50,739</u>	<u>50,118</u>
Represented by:			
New asset expenditure		18,792	11,555
Asset renewal expenditure		22,729	22,694
Asset expansion expenditure		636	8,018
Asset upgrade expenditure		8,582	7,851
Total capital works expenditure		<u>50,739</u>	<u>50,118</u>

The above Statement of Capital Works should be read in conjunction with the accompanying notes.

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

Overview

Introduction

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, Victoria.

Statement of compliance

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

Significant accounting policies

(a) Basis of accounting

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of employee provisions (refer to Note 5.5)
- the determination of landfill provisions (refer to Note 5.5)
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of *AASB 15 Revenue from Contracts with Customers* or *AASB 1058 Income of Not-for-Profit Entities* (refer to Note 3)
- the determination, in accordance with *AASB 16 Leases*, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.7)
- other areas requiring judgements

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation (except where transitional requirements of *AASB 15 Revenue from Contracts with Customers*, *AASB 16 Leases* and *AASB 1058 Income of Not-for-Profit Entities* do not require restatement of comparatives under the modified retrospective approach adopted by the Council), and disclosure has been made of any material changes to comparatives.

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

Note 1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of 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 24 June 2019. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

1.1 Income and expenditure

	Budget 2020 \$'000	Actual 2020 \$'000	Variance 2020 \$'000	Variance 2020 %	Ref
Income					
Rates and charges	117,231	117,249	18	0%	
Statutory fees and fines	3,177	3,102	(75)	-2%	
User fees	16,920	14,608	(2,312)	-14%	1
Grants - operating	22,465	24,699	2,234	10%	2
Grants - capital	1,960	4,120	2,160	110%	3
Contributions - monetary	8,420	7,694	(726)	-9%	
Contributions - non-monetary	2,000	1,801	(199)	-10%	
Share of net profits (or loss) of associates and joint ventures	-	316	316	0%	
Other income	2,120	2,240	120	6%	
Total income	174,293	175,829	1,536	1%	
Expenses					
Employee costs	70,861	76,789	(5,928)	-8%	4
Materials and services	63,942	57,216	6,726	11%	5
Depreciation	23,236	22,374	862	4%	
Amortisation - intangible assets	1,059	429	630	59%	
Amortisation - right of use assets	-	299	(299)	0%	
Bad and doubtful debts	66	344	(278)	-421%	
Borrowing costs	2,284	-	2,284	100%	6
Finance costs - leases	-	18	(18)	0%	
Contributions and donations	5,620	5,865	(245)	-4%	
Net loss (gain) on disposal of property, infrastructure, plant and equipment	1,858	1,624	234	13%	
Other expenses	1,729	1,085	644	37%	
Total expenses	170,655	166,043	4,612	3%	
Surplus/(deficit) for the year	3,638	9,786	6,148	169%	

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

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	User fees	Lower utilisation due to the COVID-19 pandemic has led to a \$1.522 million reduction in childcare user fees against budget. Preschool user fees for term two were refunded to families with the introduction of the State Government kindergarten fee subsidy program, leading to a \$0.347 million reduction in preschool user fees against budget. Leisure Services user fees were down \$0.657 million against budget with community facilities being closed due to the COVID-19 pandemic.
2	Grants - operating	Unbudgeted Government grants totalling \$1.573 million were received in response to the COVID-19 pandemic, including Business Continuity Payments for childcare, Special Education Grants for preschool, grants for the Working for Victoria Fund, and COVID-19 Emergency Support for Aged Care Meals on Wheels. Unbudgeted grants totalling \$0.719 million were received for the Local Government Recycling Support Program.
3	Grants - capital	Unbudgeted capital grants totalling \$1.807 million were received. A further \$0.432 million in capital grants carried forward from 2018-19 were received.
4	Employee costs	The employee costs variance is below the percentage materiality threshold of ten percent, however the \$5.924 million variance is considered material. The variance includes \$2.440 million in employee costs for capital works that have been deemed operational in nature. Employee provision liabilities have increased \$2.913 million from 30 June 2019.
5	Materials and services	There is a continued focus on the containment of operating costs throughout Council, whilst maintaining services for the community. Contributing to the \$6.726 million reduction in materials and services was a \$2.420 million reduction in the landfill rehabilitation provision and a \$2.714 million reduction in operating projects expenditure unable to be completed due to the carry forward of capital works to 2020-21.
6	Borrowing costs	Budgeted borrowings have not occurred yet due to the carry forward of capital works in to 2020-21.

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

Note 1 Performance against budget (cont'd)

1.2 Capital works

	Budget 2020 \$'000	Actual 2020 \$'000	Variance 2020 \$'000	Variance 2020 %	Ref
Property					
Land	8,000	-	8,000	100%	1
Total land	8,000	-	8,000	100%	
Buildings	37,945	18,797	19,148	50%	2
Total buildings	37,945	18,797	19,148	50%	
Total property	45,945	18,797	27,148	59%	
Plant and equipment					
Artworks	53	42	11	21%	
Plant, machinery and equipment	2,463	1,853	610	25%	
Fixtures, fittings and furniture	-	17	(17)	0%	
Computers and telecommunications	5,463	1,057	4,406	81%	3
Total plant and equipment	7,979	2,969	5,010	63%	
Infrastructure					
Roads	9,305	8,524	781	8%	
Bridges	6,140	2,962	3,178	52%	4
Footpaths and cycleways	5,247	4,527	720	14%	
Drainage	3,456	3,641	(185)	-5%	
Recreational, leisure and community facilities	15,337	8,442	6,895	45%	5
Off street car parks	678	807	(129)	-19%	
Other infrastructure	612	70	542	89%	
Total infrastructure	40,775	28,973	11,802	29%	
Total capital works expenditure	94,699	50,739	43,960	46%	
Represented by:					
New asset expenditure	32,785	18,792	13,993	43%	
Asset renewal expenditure	32,713	22,729	9,984	31%	
Asset expansion expenditure	1,063	636	427	40%	
Asset upgrade expenditure	28,138	8,582	19,556	70%	
Total capital works expenditure	94,699	50,739	43,960	46%	

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

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	Capital expenditure is lower than budget due to carry forward to 2020-21 of land purchases relating to the Knox Central Project.
2	Buildings	Capital expenditure is lower than budget due to \$2.134 million of works being unable to be capitalised (mainly from building maintenance costs \$1.010 million), together with projects being capitalised under different classes (\$0.306 million) and works carried forward to 2020-21. Works carried forward to 2020-21 includes the Stamford Park development (\$8.559 million), the operation centre relocation project (\$4.445 million), the building renewal program (\$1.662 million), and the Modular Building Program (\$0.905 million).
3	Computers and telecommunications	Capital expenditure is lower than budget due to the delay in commencing the ICT Strategy. From this year, \$2.285 million of works delivered were not able to be capitalised and a total of \$2.543 million for both the ICT strategy and renewal capital expenditure is being carried forward.
4	Bridges	Capital expenditure is lower than budget mainly due to a delay in the drainage works related to the Henderson Road Bridge construction, together with \$1.176M of this year's budget being completed prior to this financial year; \$1.659 million has been carried forward to 2020-21.
5	Recreational, leisure and community facilities	Capital expenditure is lower than budget due to landscaping and planting works being unable to be capitalised (\$3.748 million), projects being capitalised under different classes (\$0.850 million), and works carried forward to 2020-21. \$5.696 million in works carried forward to 2020-21 includes \$2.325 million for unstructured recreation capital works, \$1.678 million for renewal of active open space and \$0.954 million for the Playground Renewal Program. These are offset by \$5.525 million of works carried forward from 2018-19 to 2019-20.

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

Note 2 Analysis of Council results by program

Knox City Council delivers its functions and activities through the following programs.

2 (a) Corporate Services

The Corporate Services directorate incorporates Business and Financial Services, Governance and Strategy, Information Technology, Transformation and Communications. The purpose of the Directorate is to lead, develop and maximise the potential of the organisation and its people. It works in partnership with the organisation to uphold the organisation's reputation and provide the leadership, systems, processes and support to enable Knox teams to optimise performance and consistently deliver high quality outcomes in the pursuit of excellence.

Business and Financial Services exists to enable Council to comply with statutory requirements, provide strategic financial direction, undertake essential business processes and to support the organisation with business and financial assistance and advice.

Governance ensure that Council is complying with the statutory requirements associated with municipal elections, Council decisions (Chamber and delegated), information privacy, freedom of information and meeting procedure.

Information Technology provide a centralised approach to the management and maintenance of Council's Information Technology systems and services.

Transformation is responsible for the rollout of the organisational continuous improvement program based on Lean thinking and practice. It also includes the customer service team that supports and enables the delivery of Council services, programs and information to the community.

Communications supports the organisation through coordinating, facilitating and managing a range of written and verbal media.

From late January 2020 through to the end of June 2020 the Director Corporate Services position was vacant. During this period Business and Financial Services and Governance reported to the Director City Development, Communications and Customer Service reported to the Director Knox Central, and Information Technology and Lean reported to the Executive Manager Strategy, People and Culture. The financial reporting structure remained unchanged.

City Development

The City Development Directorate incorporates City Safety and Health, City Futures, and City Planning and Building. The Directorate's purpose relates directly to Council's purpose to enhance the quality of life of the Knox community.

City Safety and Health promotes and protects the safety, health and amenity of the community through the key functions of Emergency Management, Health Services and Local Laws.

City Futures purpose is to strategically work across the organisation and the community to understand and manage the changing city.

City Planning and Building covers planning and building approvals, subdivisions and enforcement.

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

Community Services

The Community Services Directorate incorporates Community Wellbeing, Family and Children's Services, Active Ageing and Disability Services and Youth, Leisure and Cultural Services. The Directorate is responsible for the management and delivery of a diverse range of community services and programs.

Community Wellbeing works strategically with the community and organisation to enable and contribute to the achievement of health and wellbeing outcomes for Knox.

Family and Children's Services delivers Council's early years services across the municipality.

Active Ageing and Disability Services aims to make effective use of opportunities to enhance the physical, social and emotional wellbeing of older people that enables them active participation in society.

Youth, Leisure and Cultural Services purpose is to make Knox an active, resilient, creative and inclusive community.

Engineering and Infrastructure

The Engineering and Infrastructure Directorate incorporates Sustainable Infrastructure, Community Infrastructure and Operations. The Directorate is responsible for constructing new infrastructure and maintaining existing infrastructure across a very diverse range of assets that underpin the wellbeing of the community. These assets include capital works engineering services, environment and waste, city works, parks and gardens, emergency management and municipal resources.

Sustainable Infrastructure is responsible for waste management, local traffic management, and the management of the capital works program.

Community Infrastructure is responsible for the maintenance, renewal, upgrade and associated works of Council's buildings. It is also responsible for stormwater management, landscape and environmental design, and providing strategic direction in biodiversity enhancement.

Operations is responsible for asset rehabilitation and for reactive and proactive maintenance. It is also responsible for fleet management, and the maintenance of Council open space sand reserves.

CEO and Council

The CEO and Council Directorate incorporates the CEO, Council and Councillors, and People and Performance. CEO responsibilities include establishing and maintaining an appropriate organisational structure for the council, managing interactions between council staff and Councillors, ensuring that Council decisions are implemented promptly, providing timely advice to Council, providing timely and reliable advice to the Council about its legal obligations, and overseeing the daily management of council operations following the Council Plan.

Council and Councillors includes the support services for Council's nine Councillors who have been elected by the residents and ratepayers of the municipality. This also includes Council functions such as citizenship ceremonies.

Strategy, People and Culture provides strategic and operational leadership, services and programs around all aspects of human resource management.

Knox Central

The Knox Central Directorate supports Council's strategic direction for the Knox Central Activity Centre which serves a broad cross-section of the community within Knox and across the eastern suburbs of Melbourne.

Anchored by the shopping centre it includes retail, residential, industrial, commercial, educational uses, along with significant areas of open space.

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

Note 2 Analysis of Council results by program

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

	Income	Expenses	Surplus / (Deficit)	Grants included in income	Total assets
2020	\$'000	\$'000	\$'000	\$'000	\$'000
Corporate Services	111,823	20,696	91,127	6,344	30,938
City Development	12,141	16,378 -	4,237	902	37,810
Community Services	24,403	52,852 -	28,449	17,504	543,779
Engineering and Infrastructure	26,827	68,040 -	41,213	3,726	1,353,285
CEO and Council	635	7,473 -	6,838	343	427
Knox Central	-	604 -	604	-	33
	175,829	166,043	9,786	28,819	1,966,272

	Income	Expenses	Surplus / (Deficit)	Grants included in income	Total assets
2019	\$'000	\$'000	\$'000	\$'000	\$'000
Corporate Services	110,562	17,812	92,750	6,375	29,330
City Development	15,646	15,246	400	1,186	40,654
Community Services	23,961	50,746	(26,785)	16,932	580,618
Engineering and Infrastructure	29,895	64,497	(34,602)	8,644	1,392,536
CEO and Council	164	5,850	(5,686)	91	281
Knox Central	-	518	(518)	-	53
	180,228	154,669	25,559	33,228	2,043,472

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

	2020	2019
	\$'000	\$'000

Note 3 Funding for the delivery of our services

3.1 Rates and charges

Council uses Capital Improved Value (CIV) as the basis of valuation 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 2019-20 was \$48,130 million (2018-19 \$52,440 million). The 2019-20 rate in the CIV dollar was \$0.0017571 (2018-19 \$0.0015215) for the residential rate.

General rates	103,438	100,685
Residential garbage charge	11,298	10,770
Service rates and charges	1,948	1,870
Supplementary rates and rate adjustments	182	254
Cultural and recreational	59	60
Interest on rates and charges	324	575
Total rates and charges	117,249	114,214

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

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

3.2 Statutory fees and fines

Permits	2,006	1,760
Infringements and costs	715	822
Town planning fees	155	267
Court recoveries	123	409
Land information certificates	102	90
Other statutory fees and fines	1	-
Total statutory fees and fines	3,102	3,348

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

3.3 User fees

Waste management services	5,966	5,651
Child care/children's programs	2,721	2,957
Registration and other permits	1,951	1,967
Leisure centre and recreation	1,733	1,620
Aged and health services	858	923
Building services	384	556
Other fees and charges	995	1,067
Total user fees	14,608	14,741

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

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

	2020	2019
	\$'000	\$'000
3.4 Funding from other levels of Government		
Grants were received in respect of the following:		
Summary of grants		
Commonwealth funded grants	16,625	19,661
State funded grants	12,194	13,567
Total grants received	28,819	33,228
(a) Operating grants		
Recurrent - Commonwealth Government		
Financial Assistance Grants	6,344	6,375
General home care	4,283	4,616
Family and children - child care	3,011	2,141
Recurrent - State Government		
Family and children - preschool	5,489	5,758
Family and children - maternal and child health	1,099	1,292
General home care	919	1,555
School crossing supervisors	704	683
Family and children - child care	390	268
Family and children - youth services	182	240
Community health	109	129
Other	6	259
Total recurrent operating grants	22,536	23,316
Non-recurrent - Commonwealth Government		
General home care	109	-
Non-recurrent - State Government		
Environmental planning	727	245
Family and children - preschool	422	249
Other	402	277
Family and children - maternal and child health	354	-
Community health	107	88
Recreational, leisure and community facilities	42	110
Family and children - youth services	-	38
Community safety	-	14
Total non-recurrent operating grants	2,163	1,020
Total operating grants	24,699	24,336

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

	2020 \$'000	2019 \$'000
(b) Capital grants		
<i>Recurrent - Commonwealth Government</i>		
Financial Assistance Grants - local roads	1,162	1,143
Roads to recovery	733	504
Recreational, leisure and community facilities	634	-
Community safety	-	254
<i>Recurrent - State Government</i>		
Recreational, leisure and community facilities	168	325
Buildings	89	-
Total recurrent capital grants	2,786	2,226
<i>Non-recurrent - Commonwealth Government</i>		
Recreational, leisure and community facilities	349	629
Buildings	-	4,000
<i>Non-recurrent - State Government</i>		
Roads	480	56
Recreational, leisure and community facilities	351	461
Buildings	88	1,520
Family and children - preschool	66	-
Total non-recurrent capital grants	1,334	6,666
Total capital grants	4,120	8,892
(c) Unspent grants received on condition that they be spent in a specific manner		
<i>Operating</i>		
Balance at start of year	829	580
Received during the financial year and remained unspent at balance date	534	794
Received in prior years and spent during the financial year	(686)	(545)
Balance at year end	677	829
<i>Capital</i>		
Balance at start of year	3,028	1,166
Received during the financial year and remained unspent at balance date	800	2,716
Received in prior years and spent during the financial year	(2,968)	(854)
Balance at year end	860	3,028

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

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

	2020	2019
	\$'000	\$'000
3.5 Contributions		
Monetary	7,694	9,835
Non-monetary	1,801	1,936
Total contributions	9,495	11,771

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

Land	1,157	1,936
Drainage	278	-
Roads	315	-
Footpaths and cycleways	42	-
Car parks	9	-
Total non-monetary contributions	1,801	1,936

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

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

Proceeds of sale	544	2,363
Written down value of assets disposed	(2,168)	(2,787)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	(1,624)	(424)

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

3.7 Other income

Reimbursements	1,093	532
Interest	443	1,174
Rent	469	490
Other	235	548
Total other income	2,240	2,744

Interest is recognised as it is earned.

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

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

	2020	2019
	\$'000	\$'000
Note 4 The cost of delivering services		
4.1 (a) Employee costs		
Wages and salaries	53,520	50,527
Annual leave and long service leave	8,787	6,390
Agency staff	7,245	5,958
Superannuation	5,769	5,172
WorkCover	1,174	974
Fringe benefits tax	294	334
Total employee costs	<u>76,789</u>	<u>69,355</u>
(b) Superannuation		
Council made contributions to the following funds:		
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	295	311
Employer contributions - other funds	-	-
	<u>295</u>	<u>311</u>
Employer contributions payable at reporting date	-	-
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	3,154	3,026
Employer contributions - other funds	2,209	1,834
	<u>5,363</u>	<u>4,860</u>
Employer contributions payable at reporting date	413	388

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

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

	2020	2019
	\$'000	\$'000
4.2 Materials and services		
Contract payments		
Waste Management	15,260	16,807
Operations - Maintenance	6,745	5,348
Operating Projects Expenditure	5,623	7,281
Corporate Services	1,158	749
Active Ageing & Disability	1,129	985
Family & Children's Services	716	832
Arts & Cultural Services	542	485
Community Law	415	411
People & Culture	411	428
Other	614	418
Total Contract Payments	32,613	33,744
Administration costs	6,692	5,974
Utilities	3,451	3,110
Consumable materials and equipment	3,429	3,320
Information technology	2,735	2,222
Building maintenance	2,123	1,565
Consultants	2,083	3,197
Finance and legal costs	1,776	1,284
Insurance	1,599	1,348
General maintenance	715	713
Total materials and services	57,216	56,477
4.3 Depreciation		
Infrastructure	15,937	14,583
Property	4,853	4,027
Plant and equipment	1,584	1,571
Total depreciation	22,374	20,181
Refer to note 5.2(c), 5.8 and 6.2 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.		
4.4 Amortisation - intangible assets		
Software	429	507
Total amortisation - intangible assets	429	507
4.5 Amortisation - right of use assets		
Property	174	-
Computers and telecommunications	125	-
Total amortisation - right of use assets	299	-

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

	2020	2019
	\$'000	\$'000
4.6 Bad and doubtful debts		
Parking and animal infringement debtors	251	200
Other debtors	93	34
Total bad and doubtful debts	344	234
Movement in provisions for doubtful debts		
Balance at the beginning of the year	30	19
New provisions recognised during the year	93	34
Amounts already provided for and written off as uncollectible	(31)	(23)
Amounts provided for but recovered during the year	-	-
Balance at the end of the year	92	30
Provision for doubtful debt is recognised when there is objective evidence that an impairment loss has occurred. Bad debts are written off when identified.		
4.7 Finance costs - leases		
Interest - lease liabilities	18	-
Total finance costs - leases	18	-
4.8 Contributions and donations		
Contribution to the Eastern Regional Libraries Corporation	4,196	4,094
Community support payments	1,669	2,210
Total contributions and donations	5,865	6,304
4.9 Other expenses		
Operating lease rentals	424	687
Councillors allowances	383	364
Auditor's remuneration - internal	219	75
Auditor's remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	59	61
Total other expenses	1,085	1,187

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

	2020 \$'000	2019 \$'000
Note 5 Our Financial Position		
5.1 Financial assets		
(a) Cash and cash equivalents		
Cash on hand	5	5
Cash at bank	30,579	10,640
Term deposits	-	22,500
Total cash and cash equivalents	30,584	33,145
(b) Other financial assets		
Term deposits - current	9,900	23,100
Total other financial assets	9,900	23,100
Total financial assets	40,484	56,245
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 5.3)	1,584	2,035
• Restricted reserves (Note 9.1 (b))	14,379	18,024
Total restricted funds	15,963	20,059
Total unrestricted cash and cash equivalents	14,621	13,086

As at balance date Council had \$4.300 million in term deposits maturing within 90 days.

Intended allocations

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

• Other reserves (Note 9.1 (b))	24,069	25,019
Total funds subject to intended allocations	24,069	25,019

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

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

(c) Trade and other receivables

Current

Statutory receivables

Rates debtors	10,997	8,639
Special rate assessment	52	52
Parking and animal infringement debtors	1,985	1,611
Provision for doubtful debts - parking and animal infringement debtors	(1,310)	(1,060)

Non statutory receivables

Other debtors	3,860	8,099
Provision for doubtful debts - other debtors	(92)	(30)
Total current trade and other receivables	15,492	17,311

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

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

	2020 \$'000	2019 \$'000
(d) Ageing of receivables		
The ageing of the Council's trade and other receivables (excluding statutory receivables) that are not impaired was:		
Current (not yet due)	2,922	7,359
Past due by up to 30 days	144	252
Past due between 31 and 180 days	290	290
Past due between 181 and 365 days	221	129
Past due by more than 1 year	283	69
Total trade and other receivables	3,860	8,099

(e) Ageing of individually impaired receivables

At balance date, other debtors representing financial assets with a nominal value of \$nil (2019: \$nil) were impaired. The amount of the provision raised against these debtors was \$nil (2019: \$nil). They individually 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.

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

Current (not yet due)	-	-
Past due by up to 30 days	-	-
Past due between 31 and 180 days	-	-
Past due between 181 and 365 days	-	-
Past due by more than 1 year	-	-
Total trade and other receivables	-	-

5.2 Non-financial assets

(a) Other assets

Prepayments	420	769
Accrued income	119	342
Total other assets	539	1,111

(b) Intangible assets

Software	614	934
Total intangible assets	614	934

Gross carrying amount

Balance at beginning of year	4,616	4,616
Additions	109	-
Balance at end of year	4,725	4,616

Accumulated amortisation and impairment

Balance at beginning of year	3,681	3,174
Amortisation expense	430	507
Balance at end of year	4,111	3,681
Net book value at the end of the year	614	934

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

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

	2020	2019
	\$'000	\$'000
5.3 Payables		
(a) Trade and other payables		
Trade payables	8,163	8,559
Accrued expenses	3,158	4,225
Prepaid income	1,207	1,215
Total trade and other payables	<u>12,528</u>	<u>13,999</u>
(b) Trust funds and deposits		
Refundable deposits	1,358	1,822
Retention amounts	129	105
Fire services levy	19	-
Other	78	108
Total trust funds and deposits	<u>1,584</u>	<u>2,035</u>
(c) Unearned income		
Grants received in advance - operating	534	-
Grants received in advance - capital	800	-
Other	-	132
Total unearned income	<u>1,334</u>	<u>132</u>

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

Purpose and nature of items

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

Fire service levy - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a 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 Report
For the Year Ended 30 June 2020**

5.4 Provisions

	Employee	Landfill rehabilitation	Total
	\$'000s	\$'000s	\$'000s
2020			
Balance at beginning of the financial year	16,169	5,656	21,825
Additional provisions	7,779	(2,272)	5,507
Amounts used	(5,405)	(270)	(5,675)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	543	122	665
Balance at the end of the financial year	19,086	3,236	22,322
2019			
Balance at beginning of the financial year	16,022	4,495	20,517
Additional provisions	8,933	844	9,777
Amounts used	(8,443)	(280)	(8,723)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(343)	597	254
Balance at the end of the financial year	16,169	5,656	21,825

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

	2020 \$'000	2019 \$'000
5.4 Provisions		
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	2,644	2,334
Long service leave	1,021	1,231
Gratuities	74	68
	<u>3,739</u>	<u>3,633</u>
Current provisions expected to be wholly settled after 12 months		
Annual leave	3,190	2,666
Long service leave	10,389	8,359
Gratuities	689	710
	<u>14,268</u>	<u>11,735</u>
Total current employee provisions	<u>18,007</u>	<u>15,368</u>
Non-current		
Long service leave	1,079	801
Total non-current employee provisions	<u>1,079</u>	<u>801</u>
Aggregate carrying amount of employee provisions:		
Current	18,007	15,368
Non-current	1,079	801
Total aggregate carrying amount of employee provisions	<u>19,086</u>	<u>16,169</u>

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 the present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Long service leave

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

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

	2020	2019
Key Assumptions - AL:		
• Weighted average discount rate	0.14%	0.54%
• Weighted average index rate	2.42%	2.50%
• Average settlement period (years)	2	2
Key Assumptions - LSL:		
• Weighted average discount rate - current	0.72%	1.17%
• Weighted average discount rate - non-current	0.31%	1.05%
• Weighted average index rate - current	2.20%	2.48%
• Weighted average index rate - non-current	2.60%	2.29%
• Average settlement period (years)	18	18
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. Liabilities expected to be wholly settled within 12 months of the reporting date are measured at their nominal values. Liabilities that are not expected to be wholly settled within 12 months of the reporting date are measured at the present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.		
Key Assumptions - Gratuity:		
• Weighted average discount rate	0.23%	0.87%
• Weighted average index rate	2.20%	2.40%
• Average settlement period (years)	23	22
	2020	2019
	\$'000	\$'000
(b) Landfill rehabilitation		
Current		
Cathies Lane landfill site	277	386
Llewellyn Reserve landfill site	108	158
	<u>385</u>	<u>544</u>
Non-current		
Cathies Lane landfill site	2,021	3,813
Llewellyn Reserve landfill site	830	1,299
Total non-current provisions	<u>2,851</u>	<u>5,112</u>
Total aggregate carrying amount of landfill rehabilitation provisions	<u>3,236</u>	<u>5,656</u>

Council owns two former landfill sites - Cathies Lane and Llewellyn Reserve. Under the terms of Post Closure Pollution Abatement Notices issued by the Environment Protection Authority (EPA), 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.

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

	2020	2019
Key assumptions - Cathies Lane landfill site:		
• Weighted average discount rate	1.83%	2.37%
• Inflation rate	2.00%	2.00%
• Settlement period (years)	14	16
• Estimated cost to rehabilitate	\$2.317m	\$4.405m
Key assumptions - Llewellyn Reserve landfill site:		
• Weighted average discount rate	1.83%	2.37%
• Inflation rate	2.00%	2.00%
• Settlement period (years)	14	16
• Estimated cost to rehabilitate	\$0.945m	\$1.528m

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). The site is closed as a landfill but a portion of the site is still being used as a resource recovery centre (transfer station) to receive, process and transport waste to other sites for refuse and/or 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 2020, Council has an amount of \$2.298 million as a provision for the restoration of the Cathies Lane landfill site and includes an ongoing commitment of approximately \$0.157 million per annum for site aftercare to meet EPA obligations 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. Included in the aftercare is the cost to provide a bank guarantee to meet the Financial Assurance requirements imposed by the EPA on Council for thirty years post closure of this site.

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.

In the financial report for June 2020, Council has an amount of \$0.938 million as a provision for the restoration of the Llewellyn Reserve landfill site and includes an ongoing commitment of approximately \$0.065 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.

	2020 \$'000	2019 \$'000
Summary of provisions		
Current	18,392	15,912
Non-current	3,930	5,913
Total provisions	<u>22,322</u>	<u>21,825</u>

5.5 Financing arrangements

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

Bank overdraft	1,500	1,500
Credit card facilities	200	200
Total facilities	<u>1,700</u>	<u>1,700</u>
Used facilities	11	28
Unused facilities	<u>1,689</u>	<u>1,672</u>

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

5.6 Commitments

The Council has entered into the following commitments. Commitments are not recognised in the Balance Sheet.

2020	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	12,239	6,345	13,169	-	31,753
Library services	4,376	4,472	9,066	-	17,914
Consultancies	3,850	1,353	466	-	5,669
Open space management	1,564	-	-	-	1,564
Infrastructure management	1,068	739	242	-	2,049
Cleaning contracts for council building	1,036	832	204	-	2,072
Home care services	-	-	-	-	-
Total	24,133	13,741	23,147	-	61,021
Capital					
Buildings	622	58	-	-	680
Other infrastructure	2,980	-	-	-	2,980
Total	3,602	58	-	-	3,660
2019	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	17,304	18,386	5,673	1,868	43,231
Consultancies	1,300	449	199	603	2,551
Open space management	473	-	-	-	473
Infrastructure management	177	144	-	-	320
Cleaning contracts for council building	503	517	-	-	1,020
Home care services	394	-	-	-	394
Total	20,150	19,495	5,871	2,471	47,988
Capital					
Buildings	9,829	-	-	-	9,829
Other infrastructure	2,750	-	-	-	2,750
Total	12,579	-	-	-	12,579

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

5.7 Leases

Policy applicable before 1 July 2019

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

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

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

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

Policy applicable after 1 July 2019

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Right-of-use assets	Property	Computers and Telecommuni cations	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2019	560	44	604
Additions	71	437	508
Amortisation charge	(174)	(125)	(299)
Balance at 30 June 2020	457	356	813

Lease liabilities	2020
	\$'000
Maturity analysis - contractual undiscounted cash flows	368
Less than one year	625
One to five years	-
More than five years	-
Total undiscounted lease liabilities as at 30 June	993

Lease liabilities included in Balance Sheet at 30 June:

Current	362
Non-current	459
Total lease liabilities	821

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

Short-term and low value leases

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

	2020
Expenses relating to:	\$'000
Short-term leases	415
Leases of low value assets	9
Total	424
Variable lease payments (not included in measurement of lease liabilities)	-

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

Payable:	
Within one year	10
Later than one year but not later than five years	11
Total lease commitments	21

i. Leases classified as operating leases under AASB 117 Leases

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

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

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

ii. Leases previously classified as finance leases

For leases that were classified as finance leases under *AASB 117 Leases*, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 are determined at the carrying amount of the lease asset and lease liability under *AASB 117 Leases* immediately before that date.

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

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

Impact on financial statements

On transition to AASB 16 Leases, Council recognised an additional \$0.604 million of right-of-use assets and \$0.604 million of lease liabilities.

When measuring lease liabilities, Council discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 2.20%.

	2019
	\$'000
Operating lease commitment at 30 June 2019 as disclosed in Council's financial statements	688
Discounted using the incremental borrowing rate at 1 July 2019	29
Finance lease liability recognised as at 30 June 2019	<u>717</u>
Recognition exemption for:	
short-term leases	112
leases of low-value assets	1
Extension and termination options reasonably certain to be exercised	-
Residual value guarantees	-
Lease liabilities recognised as at 1 July 2019	<u>604</u>

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

	2020	2019
	\$'000	\$'000
Note 6 Assets we manage		
6.1 Non-current assets classified as held for sale		
Buildings	808	808
Land at fair value	386	386
Total non-current assets classified as held for sale	<u>1,194</u>	<u>1,194</u>

Non-current assets classified as held for sale (including disposal groups) are measured at the lower of their carrying amount and fair value less costs of disposal, and are 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 (or disposal group sale) is expected to be completed within 12 months from the date of classification.

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

6.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2019 \$'000	At cost 30 June 2019 \$'000	Additions \$'000	Contributions \$'000	Revaluation \$'000	Depreciation \$'000	Disposal \$'000	Impairment \$'000	Transfers and write offs \$'000	At fair value 30 June 2020 \$'000	At cost 30 June 2020 \$'000	Total WDV 30 June 2020 \$'000
Land	1,053,168	8,968	-	1,157	(106,970)	-	-	-	-	949,183	7,139	956,322
Buildings	138,166	28,792	21,830	-	(3,741)	(4,853)	(3)	(500)	-	179,691	-	179,691
Plant and equipment	-	9,383	2,010	-	-	(1,584)	(418)	-	-	-	9,391	9,391
Infrastructure	732,649	56,294	28,684	644	6,282	(15,938)	(1,748)	-	-	742,614	64,254	806,868
Work in progress	-	16,052	12,416	-	-	-	(158)	-	(14,310)	-	14,000	14,000
	1,923,983	119,489	64,940	1,801	(104,429)	(22,375)	(2,327)	(500)	(14,310)	1,871,488	94,784	1,966,272

Summary of work in progress

	Opening work \$'000	Additions \$'000	Transfers \$'000	Write offs \$'000	Closing work \$'000
Property	6,836	2,754	(5,738)	(16)	3,836
Infrastructure	9,216	9,662	(8,572)	(142)	10,164
	16,052	12,416	(14,310)	(158)	14,000

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

6.2 Property, infrastructure, plant and equipment

(a) Property

	Land - specialised	Land - non specialised	Land improvements	Total land	Buildings - specialised	Total buildings	Work in progress	Total property
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2019	869,749	183,419	-	1,053,168	261,341	261,341	-	1,314,509
At cost 1 July 2019	3,877	1,936	3,154	8,967	29,037	29,037	6,836	44,840
Accumulated depreciation at 1 July 2019	-	-	-	-	(123,420)	(123,420)	-	(123,420)
	873,626	185,355	3,154	1,062,135	166,958	166,958	6,836	1,235,929
Movements								
Additions at cost	-	-	-	-	21,830	21,830	2,754	24,584
Contributions	107	1,050	-	1,157	-	-	-	1,157
Revaluation	(95,462)	(11,508)	-	(106,970)	(10,133)	(10,133)	-	(117,103)
Disposal at fair value	-	-	-	-	(402)	(402)	-	(402)
Disposal at cost	-	-	-	-	-	-	(16)	(16)
Impairment losses recognised in operating result	-	-	-	-	(500)	(500)	-	(500)
Transfers and write offs	-	-	-	-	-	-	(5,738)	(5,738)
	(95,355)	(10,458)	-	(105,813)	10,795	10,795	(3,000)	(98,018)
Movements in accumulated depreciation								
Depreciation and amortisation	-	-	-	-	(4,853)	(4,853)	-	(4,853)
Accumulated depreciation of disposals	-	-	-	-	399	399	-	399
Revaluation	-	-	-	-	6,392	6,392	-	6,392
	(95,355)	-	-	-	1,938	1,938	-	1,938
At fair value 30 June 2020	774,287	174,897	-	949,184	301,173	301,173	-	1,250,357
At cost 30 June 2020	3,984	-	3,154	7,138	-	-	3,836	10,974
Accumulated depreciation at 30 June 2020	-	-	-	-	(121,482)	(121,482)	-	(121,482)
	778,271	174,897	3,154	956,322	179,691	179,691	3,836	1,139,849

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

(b) Plant and equipment

At cost 1 July 2019
Accumulated depreciation at 1 July 2019

Movements

Additions at cost
Disposal at cost

Movements in accumulated depreciation

Depreciation and amortisation
Accumulated depreciation of disposals

At cost 30 June 2020
Accumulated depreciation at 30 June 2020

	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 2019	12,325	2,283	4,155	437	19,200
Accumulated depreciation at 1 July 2019	(4,850)	(1,883)	(3,084)	-	(9,817)
	7,475	400	1,071	437	9,383
Movements					
Additions at cost	1,853	25	132	-	2,010
Disposal at cost	(1,128)	(18)	-	-	(1,146)
	725	7	132	-	864
Movements in accumulated depreciation					
Depreciation and amortisation	(1,167)	(120)	(297)	-	(1,584)
Accumulated depreciation of disposals	710	18	-	-	728
	(457)	(102)	(297)	-	(856)
At cost 30 June 2020	13,049	2,290	4,286	437	20,062
Accumulated depreciation at 30 June 2020	(5,306)	(1,986)	(3,380)	-	(10,672)
	7,743	304	906	437	9,390

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

(c) 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 2019	687,044	13,000	148,025	289,359	-	25,002	5,646	-	1,168,076
At cost 1 July 2019	-	591	1,459	7,839	62,387	-	225	9,216	81,717
Accumulated depreciation at 1 July 2019	(198,114)	(3,660)	(84,521)	(140,067)	(16,095)	(6,414)	(2,763)	-	(451,634)
	488,930	9,931	64,963	157,131	46,292	18,588	3,108	9,216	798,159
Movements									
Additions at cost	8,552	5,315	3,302	3,547	6,860	1,038	70	9,662	38,346
Contributions	315	-	41	278	-	9	-	-	643
Revaluation	1,092	(2,851)	(571)	25,646	-	55	-	-	23,371
Disposal at fair value	(3,006)	-	(2,712)	-	-	-	-	-	(5,718)
Disposal at cost	-	-	-	-	(757)	-	-	(142)	(899)
Transfers and write offs at cost	-	-	-	-	-	-	-	(8,572)	(8,572)
	6,953	2,464	60	29,471	6,103	1,102	70	948	47,171
Movements in accumulated depreciation									
Depreciation and amortisation	(6,684)	(174)	(2,943)	(3,721)	(1,621)	(600)	(195)	-	(15,938)
Accumulated depreciation of disposals	2,130	-	2,027	-	570	-	-	-	4,727
Revaluation	-	(339)	574	(17,324)	-	-	-	-	(17,089)
	(4,554)	(513)	(342)	(21,045)	(1,051)	(600)	(195)	-	(28,300)
At fair value 30 June 2020	685,131	16,054	146,741	326,669	-	25,056	5,646	-	1,205,297
At cost 30 June 2020	8,867	-	2,804	-	68,490	1,049	295	10,164	91,669
Accumulated depreciation at 30 June 2020	(202,669)	(4,172)	(84,864)	(161,111)	(17,146)	(7,014)	(2,958)	-	(479,934)
	491,329	11,882	64,681	165,558	51,344	19,091	2,983	10,164	817,032

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

Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date.

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

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

Asset recognition thresholds and depreciation periods	Depreciation Period Years	Threshold Limit \$'000
Land & land improvements		
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	10
Fixtures, fittings and furniture	3-10	10
Computers and telecommunications	3-10	10
Artworks	n/a	10
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		
Software	5	10

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.

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

Depreciation and amortisation

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.

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

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

Repairs and maintenance

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

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

Valuation of land and buildings

Valuation of land and buildings were undertaken by 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 date of the current valuation is detailed in the following table. Details of the Council's Land and Buildings and information about the fair value hierarchy as at 30 June 2020 are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Date of valuation
Land	-	174,897	-	June 2020
Specialised land	-	-	774,286	June 2020
Specialised buildings	-	-	179,691	June 2020
Total	-	174,897	953,977	

Valuation of infrastructure

The valuation of bridges, cycleways and drainage has been determined in accordance with a valuation undertaken by Mr Alexander Bourke, BE (Hons)(Civil), Asset Engineer, Knox City Council. The date of the current valuation is detailed in the following table. The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

A full revaluation of fire hydrants (other infrastructure) will be conducted in 2020-21 and a full revaluation of roads, footpaths and off street car parks will be conducted in 2021-22.

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Date of valuation
Roads	-	-	482,539	June 2019
Bridges	-	-	11,882	June 2020
Footpaths and cycleways	-	-	61,885	June 2019 / June 2020
Drainage	-	-	165,558	June 2020
Off street car parks	-	-	18,048	June 2019
Other Infrastructure	-	-	2,702	June 2018
Total	-	-	742,614	

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

Description of significant unobservable inputs into level 3 valuations

Specialised land is valued using a market based direct comparison technique. Significant unobservable input 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 \$9 and \$1,317 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 147 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 either shorten or extend the useful lives of infrastructure assets.

	2020	2019
	\$'000	\$'000
Reconciliation of specialised land at fair value		
Parks and reserves	707,126	806,952
Community facilities	30,967	28,099
Civic precinct	24,856	22,911
Transfer station	11,337	11,787
Total specialised land at fair value	<u>774,286</u>	<u>869,749</u>

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

	2020	2019
	\$'000	\$'000
6.3 Investments in associates, joint arrangements and subsidiaries		
(a) Investment in associates		
Investment in associate accounted for by the equity method is:		
Eastern Regional Libraries Corporation (ERLC)	4,920	4,604
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 2020 was 36.39% (2018 - 36.39%) based on Council's contribution of the net assets to the entity on its commencement on 1 July 1996. Council's proportion of voting power as at 30 June 2019 was 33.33% (2020 - 33.33%).		
Fair value of Council's investment in Eastern Regional Libraries Corporation	4,920	4,604
Council's share of accumulated surplus		
Council's share of accumulated surplus at start of year	4,604	4,422
Reported surplus for year	316	182
Council's share of accumulated surplus at end of year	4,920	4,604
Movement in carrying value of specific investment		
Carrying value of investment at start of year	4,604	4,422
Share of surplus for year	316	182
Carrying value of investment at end of year	4,920	4,604
Council's share of expenditure commitments		
Operating commitments	115	219
Capital commitments	-	-
Council's share of expenditure commitments	115	219

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:

Mobile library	36	36
Knox City, Rowville, Ferntree Gully, Boronia and Bayswater Library Branches	745	706

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.

Changes in the net assets of the ERLC are brought to account as an adjustment to the carrying value of the investment.

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

Note 7 People and relationships

7.1 Council and key management remuneration

(a) Related parties

Parent Entity

Knox City Council

Associates

Eastern Regional Libraries Corporation (ERLC). Interests in associates are detailed in Note 6.3.

(b) Key management personnel

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

Councillors

Councillor Jake Keogh (Mayor)	Mayor from 1 July 2019 to 30 October 2019 Councillor from 30 October 2019 to current
Councillor Nicole Seymour (Mayor)	Mayor from 30 October 2019 to current Councillor from 1 July 2019 to 30 October 2019
Councillor Peter Lockwood (Deputy Mayor)	Deputy Mayor from 1 July 2019 to 30 October 2019 Councillor from 30 October 2019 to current
Councillor Marcia Timmers-Leitch (Deputy Mayor)	Deputy Mayor from 30 October 2019 to current Councillor from 1 July 2019 to 30 October 2019
Councillor Lisa Cooper	Councillor from 1 July 2019 to current
Councillor Adam Gill	Councillor from 1 July 2019 to current
Councillor Tony Holland	Councillor from 1 July 2019 to current
Councillor John Mortimore	Councillor from 1 July 2019 to current
Councillor Darren Pearce	Councillor from 1 July 2019 to current

Chief Executive Officer and other key management personnel

Tony Doyle – Chief Executive Officer	
Dr Ian Bell – Director Engineering and Infrastructure	1 July 2019 to 28 February 2020
Dr Ian Bell – Director of Special Projects	2 March 2020 to 30 June 2020
Tanya Clark – Director Community Services	
Michael Fromberg – Director Corporate Services	1 July 2019 to 17 January 2020
Matt Hanrahan – Acting Director Engineering and Infrastructure	2 March 2020 to 30 June 2020
Matt Kelleher – Director City Development	
Samantha Mazer – Director Knox Central	
Sam Stanton – Executive Manager Strategy, People and Culture	

	2020 No.	2019 No.
Total number of Councillors	9	10
Chief Executive Officer and other key management personnel	8	7
Total key management personnel	17	17

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

(c) Remuneration of Key Management Personnel

	2020	2019
	\$'000	\$'000
Total remuneration of Key Management Personnel was as follows:		
Short-term benefits	2,473	2,002
Long-term benefits	52	64
Termination benefits	95	41
Total	<u>2,620</u>	<u>2,107</u>

The numbers of Key Management Personnel whose total remuneration from Council and any related entities fall within the following bands:

	2020	2019
	No.	No.
\$10,000 - \$19,999	-	2
\$30,000 - \$39,999	7	6
\$50,000 - \$59,999	1	1
\$80,000 - \$89,999	-	1
\$90,000 - \$99,999	1	-
\$150,000 - \$159,999	-	1
\$180,000 - \$189,999	-	1
\$220,000 - \$229,999	-	1
\$230,000 - \$239,999	1	-
\$240,000 - \$249,999	1	-
\$250,000 - \$259,999	2	-
\$270,000 - \$279,999	1	2
\$280,000 - \$289,999	1	1
\$310,000 - \$319,999	1	-
\$350,000 - \$359,999	-	1
\$370,000 - \$379,999	1	-
	<u>17</u>	<u>17</u>

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

(d) Senior Officer remuneration

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

- (a) has management responsibilities and reports directly to the Chief Executive Officer; or
- (a) whose total annual remuneration exceeds \$151,000 (\$148,000 in 2018-19).

The number of senior officers are shown below in their relevant income bands:

	2020 No.	2019 No.
Income range		
<\$151,000	10	9
\$151,000 - \$159,999	2	2
\$160,000 - \$169,999	2	4
\$170,000 - \$179,999	2	1
\$180,000 - \$189,999	4	4
\$190,000 - \$199,999	3	3
\$200,000 - \$209,999	-	1
\$210,000 - \$219,999	1	-
\$220,000 - \$229,999	1	-
\$260,000 - \$269,999	1	-
	26	24
	2020	2019
	\$'000	\$'000
Total remuneration for the reporting year for senior officers included above amounted to:	3,884	3,611

7.2 Related party disclosure

(a) Transactions with related parties

During the period Council did not enter into any transactions with related parties.

(b) Outstanding balances with related parties

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

(c) Loans to / from related parties

There were no loans in existence at balance date that have been made, guaranteed or secured by the Council to a related party.

(d) Commitments to/from related parties

There were no commitments in existence at balance date that have been made, guaranteed or secured by the Council to a related party.

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

Note 8 Managing uncertainties

8.1 Contingent assets and liabilities

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

(a) Contingent assets

Developer contributions

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 \$15.346 million (2018-19, \$15.479 million).

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:

	2020	2019
	\$'000	\$'000
Not later than one year	505	435
Later than one year and not later than five years	1,717	1,374
Later than five years	8,809	8,629
	<u>11,031</u>	<u>10,438</u>

(b) Contingent liabilities

Superannuation

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

Future superannuation contributions

In addition to the disclosed contributions, Knox City Council has paid unfunded liability payments to Vision Super totalling \$Nil during the 2019/20 (2018/19 \$Nil). There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2020. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2021 are \$0.285 million.

Landfill

Council has identified a previously unknown former landfill at Wantirna Reserve. Council is engaging an environmental consultant to undertake a risk assessment via additional data collection over an estimated two year period. Depending on the risk assessment outcome, Council may have to carry out site rehabilitation works in the future. The additional costs to be incurred would be determined following assessment of the data collected. At balance date Council is unable to accurately assess the financial implications of such works.

Insurance Claims

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 thirteen outstanding insurance claims against the Council in this regard. The Council carries \$600.000 million of public liability and professional indemnity insurance and has an excess of \$0.020 million 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 Liability Mutual Insurance (MAV Insurance). There are no claims that Council is aware of which would fall outside the terms of the Council's policy.

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

8.2 Change in accounting standards

The following new AAS's have been issued that are not mandatory for the 30 June 2020 reporting period. Council has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

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

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

- recognise a service concession asset constructed, developed or acquired from a third party by the operator, including an upgrade to an existing asset of the grantor, when the grantor controls the asset;
- reclassify an existing asset (including recognising previously unrecognised identifiable intangible assets and land under roads) as a service concession asset when it meets the criteria for recognition as a service concession asset;
- initially measure a service concession asset constructed, developed or acquired by the operator or reclassified by the grantor at current replacement cost in accordance with the cost approach to fair value in *AASB 13 Fair Value Measurement*. Subsequent to the initial recognition or reclassification of the asset, the service concession asset is accounted for in accordance with *AASB 116 Property, Plant and Equipment* or *AASB 138 Intangible Assets*, as appropriate, except as specified AASB 1059;
- recognise a corresponding liability measured initially at the fair value (current replacement cost) of the service concession asset, adjusted for any other consideration between the grantor and the operator; and
- disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of assets, liabilities, revenue and cash flows arising from service concession arrangements.

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

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

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

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

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

8.3 Financial instruments

(a) Objectives and policies

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

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

(b) Market risk

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

Interest rate risk

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

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

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

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

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

(c) Credit risk

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

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

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.

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

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

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

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

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

All financial liabilities are expected to be settled within normal terms of trade.

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

(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 asset 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; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the Balance Sheet and 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.

All financial liabilities are expected to be settled within normal terms of trade.

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

(e) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts and management's knowledge and experience of the financial markets, 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 0.654%.

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

8.4 Fair value measurement

Fair value hierarchy

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

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 Report For the Year Ended 30 June 2020

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.

Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than 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. 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. Bridges, cycleways and drainage were formally revalued as at 30 June 2020.

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.

Impairment of assets

At each reporting date, Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, is compared to the 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.

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

8.5 Impact of COVID-19 crisis on Knox City Council operations and the 2019-20 financial report

On 11 March 2020, COVID 19 was declared as a global pandemic by the World Health Organisation. The State of Victoria subsequently declared a State of Emergency on 16 March 2020. Since then, various measures have been taken by all three levels of Government in Australia to reduce the spread of COVID-19. This crisis and measures taken to mitigate it has impacted Knox City Council operations in the following areas for the financial year ended 30 June 2020:

- Expenditure totalling \$1.366 million has been incurred directly related to dealing with the impact of COVID-19 within Council and the community.
- In response to significant decrease in demand / government directive amidst the COVID-19 outbreak, the following centres were closed: Knox Leisureworks, Rowville Community Centre, Ferntree Gully Community Centre, the State Basketball Centre, Boronia Basketball Stadium, Knox Regional Netball Centre and the Knox Community Arts Centre. These closures resulted in a decrease in Council's user fee revenue of \$0.575 million.
- Although Council's Integrated Early Years Hubs at Wantirna South and Bayswater continued to operate, a reduction in utilisation resulted in a decrease in Council's user fee revenue of \$1.049 million following the COVID-19 pandemic, partially offset by an increase in operating grant revenue of \$0.162 million.
- Council made the decision to waive winter tenancy payments for use of sporting facilities for community groups. This resulted in a decrease in Council's user fee revenue of \$0.225 million.
- Council resolved not to charge interest from 31 March 2020 for the remainder of the financial year for late rate payments. This resulted in a decrease in interest on rates of \$0.086 million against budget. This also resulted in an increase of \$2.358 million for the rates debtors balance as at 30 June 2020 compared to last year.

The emergency response and ongoing delivery of essential services to support community health and wellbeing is being prioritised, and Council will continue to assess its response as the situation evolves. Council's 2020-21 budget proposes a further \$3 million in focused initiatives to lessen the impacts of the pandemic and drive recovery. This includes extending fee waivers for community organisations and businesses, providing services for people in need, initiatives to stimulate local industry and new grants streams to facilitate business and community led recovery activities.

8.6 Events occurring after balance date

The COVID-19 situation continued to escalate after balance date, with Stage 3 "Stay at Home" restrictions being reinstated across metropolitan Melbourne and Mitchell Shire from 11:59pm on Wednesday 8 July. Further restrictions were implemented from 11:59am on Wednesday 22 July 2020. Victoria entered a State of Disaster on 2 August 2020.

Due to the significant uncertainty surrounding the COVID-19 outbreak and the government's response to this, it is not possible to estimate the full impact on Council's operations, financial position and cashflows at this point in time. This being the case, Council does not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on Council at this time.

At this stage, the following centres remain closed: Knox Leisureworks, Rowville Community Centre, Ferntree Gully Community Centre, the State Basketball Centre, Boronia Basketball Stadium, Knox Regional Netball Centre and the Knox Community Arts Centre. User fee revenue will be negatively impacted at these centres, and across further services offered by Council.

Council is announcing its Community and Business Support Package for COVID-19 in stages, and has allowed \$3 million in the 2020-21 budget for these measures to be implemented.

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

Note 9 Other Matters

9.1 Reserves

(a) Asset revaluation reserve

	Balance at beginning of reporting period	Increment (decrement)	Balance at end of reporting period
	\$'000	\$'000	\$'000
2020			
Property			
Land	884,034	(106,971)	777,063
Buildings	64,842	(4,241)	60,601
	948,876	(111,212)	837,664
Plant and equipment			
Artworks	31	-	31
	31	-	31
Infrastructure			
Roads	287,071	1,092	288,163
Bridges	5,462	(3,190)	2,272
Footpaths and cycleways	15,538	3	15,541
Drainage	97,153	8,322	105,475
Off street car parks	4,217	55	4,272
Other infrastructure	2,221	-	2,221
	411,662	6,282	417,944
Total asset revaluation reserve	1,360,569	(104,930)	1,255,639
2019			
Property			
Land	884,034	-	884,034
Buildings	65,063	(221)	64,842
	949,097	(221)	948,876
Plant and equipment			
Artworks	31	-	31
	31	-	31
Infrastructure			
Roads	256,306	30,765	287,071
Bridges	5,462	-	5,462
Footpaths and cycleways	18,368	(2,829)	15,538
Drainage	97,153	-	97,153
Off street car parks	7,348	(3,131)	4,217
Other infrastructure	2,221	-	2,221
	386,858	24,805	411,662
Total asset revaluation reserve	1,335,986	24,584	1,360,569

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 Report
For the Year Ended 30 June 2020**

(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
2020				
Restricted reserves				
Open space reserve	16,707	5,225	(8,977)	12,955
Basketball stadium infrastructure reserve	100	-	-	100
State Basketball Centre asset renewal fund	491	106	-	597
Football pitch replacement fund	726	1	-	727
Total restricted reserves	18,024	5,332	(8,977)	14,379
Unrestricted reserves				
Mountain Gate reserve	140	-	-	140
City futures fund	2,915	-	-	2,915
Revegetation net gain	351	55	-	406
Revolving energy fund	136	-	-	136
Aged care reserve	4,970	-	(21)	4,949
Unexpended grant reserve (Financial	3,849	3,885	(3,849)	3,885
Stamford Park	11,739	-	(856)	10,883
Blue Hills	3	-	-	3
Scoresby Recreation Reserve	67	50	-	117
HACC capital reserve	849	-	(214)	635
Total unrestricted reserves	25,019	3,990	(4,940)	24,069
Total other reserves	43,043	9,322	(13,917)	38,448
2019				
Restricted reserves				
Open space reserve	14,786	8,043	(6,122)	16,707
Basketball stadium infrastructure reserve	100	-	-	100
State Basketball Centre asset renewal fund	389	102	-	491
Football pitch replacement fund	609	117	-	726
Total restricted reserves	15,884	8,262	(6,122)	18,024
Unrestricted reserves				
Mountain Gate Reserve	140	-	-	140
City futures fund	2,915	-	-	2,915
Revegetation net gain	282	69	-	351
Revolving energy fund	136	-	-	136
Aged care reserve	4,970	-	-	4,970
Unexpended grant reserve (Financial	3,824	3,849	(3,824)	3,849
Stamford Park	14,139	-	(2,400)	11,739
Blue Hills	3	-	-	3
Scoresby Recreation Reserve	67	-	-	67
HACC capital reserve	171	678	-	849
Total unrestricted reserves	26,647	4,596	(6,224)	25,019
Total other reserves	42,531	12,858	(12,346)	43,043

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

Nature and purpose of other 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.

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.

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 enhance community facilities within Knox municipality.

Revegetation net gain

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

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.

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.

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.

HACC capital reserve

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

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

	2020	2019
	\$'000	\$'000
9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus for the year	9,786	25,559
Depreciation/amortisation	22,374	20,181
Amortisation - intangible assets	429	507
Amortisation - right of use assets	299	-
Bad and doubtful debts	344	234
Finance costs - leases	18	-
Net (gain)/loss on disposal of property, infrastructure, plant and equipment	1,624	424
Contributions - non-monetary assets	(1,801)	(1,936)
Increment in investment in associate	(316)	(182)
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	1,788	(4,415)
(Increase)/decrease in prepayments	349	412
(Increase)/decrease in accrued income	143	142
Increase/(decrease) in trade and other payables	(220)	(3,098)
Increase/(decrease) in unearned income	1,202	(537)
Increase/(decrease) in provisions	497	1,308
Increase/(decrease) in other liabilities	(451)	(1,648)
(Increase)/decrease in inventories	3	(2)
Net cash provided by operating activities	36,068	36,950

9.3 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 receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2020, this was 9.5% as required under Superannuation Guarantee (SG) legislation).

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.

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

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. For the year ended 30 June 2020, this rate was 9.5% of members' salaries (9.5% in 2018/2019).

A triennial actuarial review is currently underway for the Defined Benefit category as at 30 June 2020 and is expected to be completed by 31 December 2020.

As at 30 June 2019, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 107.1%. To determine the VBI, the Fund Actuary used the following long-term assumptions:

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

Vision Super has advised that the VBI at quarter ended 30 June 2020 was 104.6%.

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

Employer contributions

Regular contributions

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

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

Funding calls

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

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including 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.

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

The 2019 interim actuarial investigation surplus amounts

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

The Fund's actuarial investigation as at 30 June 2019 identified the following in the defined benefit category of which Council is a contributing employer:

A VBI surplus of \$151.3 million (2018: \$131.9 million; 2017: \$69.8 million)

A total service liability surplus of \$233.4 million (2018: 218.3 million; 2017: \$193.5 million)

A discounted accrued benefits surplus of \$256.7 million (2018: \$249.1 million; 2017: \$228.8 million)

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2019.

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

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

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

The 2020 triennial actuarial investigation

A triennial actuarial investigation is being conducted for the Fund's position as at 30 June 2020. It is anticipated that this actuarial investigation will be completed by 31 December 2020. The financial assumptions for the purposes of this investigation are:

	2020 Triennial investigation	2017 Triennial investigation
Net investment return	5.6% pa	6.5% pa
Salary inflation	2.5% pa for the first two years and 2.75% pa thereafter	3.5% pa
Price inflation	2.0% pa	2.5% pa

Superannuation contributions

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

Scheme	Type of scheme	Rate	2020 \$'000	2019 \$'000
Vision super	Defined Benefit	9.50%	295	311
Other funds	Defined Benefit	9.50%	-	-
Vision super	Accumulation Fund	9.50%	3,154	3,026
Other funds	Accumulation Fund	9.50%	2,209	1,834

There were \$Nil contributions outstanding and \$Nil loans issued from or to the above schemes as at 30 June 2020.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2021 is \$0.285 million.

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

Note 10 Change in accounting policy

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

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

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

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

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

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

(b) AASB 16 Leases

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

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

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

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

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

(d) Transition impacts

The following table summarises the impact of transition to the new standards on retained earnings at 1 July 2019:

	2019 \$'000
Retained earnings at 30 June 2019	683,276
Revenue adjustment - impact of <i>AASB 15 Revenue from Contracts with Customers</i>	-
Income Adjustment - impact of <i>AASB 1058 Income of Not-for-Profit Entities</i>	-
Retained earnings at 1 July 2019	683,276

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

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

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

	As reported 30 June 2019	Adjustments	Post adoption
	\$'000	\$'000	\$'000
Assets			
Right of use assets	-	-	-
Grants receivable	-	-	-
	-	-	-
Liabilities			
Unearned income - operating grants	-	-	-
Unearned income - capital grants	-	-	-
Lease liability - current	-	-	-
Lease liability - non-current	-	-	-

Performance Statement

Year ending 30 June 2020

Description of the Municipality

Located approximately 25 kilometres from Melbourne's central business district, the Knox municipality 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 164,538 (as at 30 June 2019) 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 consists of the following suburbs: Bayswater, Boronia, Ferntree Gully, Knoxfield, Lysterfield, Rowville, Scoresby, The Basin, Upper Ferntree Gully, Wantirna and Wantirna South.

Understanding the Performance Statement

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

Where applicable, the results in the Performance Statement have been prepared on accounting bases consistent with those reported in the financial statements. The other results are based on information drawn from Council information systems or from third parties (for example, the Australian Bureau of Statistics).

The Performance Statement presents the actual results for the current year and for the prescribed financial performance indicators and measures and the results forecast by Council's Strategic Resource Plan. The Regulations require explanation of any material variations in the results contained in the Performance Statement. The materiality thresholds have been set as +/-10% of the 2018-19 results.

The forecast figures included in the statement are those adopted by Council in its Strategic Resource Plan on 22 June 2020, which forms part of the Annual Budget. The Strategic Resource Plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and are aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The Strategic Resource Plan is available on Council's website.

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

Sustainable Capacity Indicators

For the year ended 30 June 2020

Service/Indicator/Measure	Results				Material Variation Comment
	2016-17	2017-18	2018-19	2019-20	
Population					
Expenses per head of municipal population [Total expenses / Municipal population]	\$918.47	\$897.28	\$947.71	\$1,009.15	
Infrastructure per head of municipal population [Value of infrastructure / Municipal population]	\$5,682.68	\$5,729.82	\$6,012.97	\$6,138.10	
Population density per length of road [Municipal population / Kilometres of local roads]	217.52	224.54	225.42	227.26	
Own-source revenue					
Own-source revenue per head of municipal population [Own-source revenue / Municipal population]	\$800.05	\$804.21	\$828.59	\$835.22	
Recurrent grants					
Recurrent grants per head of municipal population [Recurrent grants / Municipal population]	\$178.36	\$153.57	\$156.50	\$153.90	
Disadvantage					
Relative socio-economic disadvantage [Index of Relative Socio-economic Disadvantage by decile]	9.00	9.00	9.00	9.00	
Workforce turnover					
Percentage of staff turnover [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	12.8%	13.2%	13.0%	9.3%	

Definitions

"adjusted underlying revenue" means total income other than:

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

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

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

"population" means the resident population estimated by council

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

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

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

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

Service Performance Indicators

For the year ended 30 June 2020

Service/Indicator/Measure	Results				Material Variation Comment
	2016-17	2017-18	2018-19	2019-20	
Aquatic Facilities					
Utilisation					
Utilisation of aquatic facilities [Number of visits to aquatic facilities/Municipal population]	3.60	3.49	2.68	1.69	As a result of the closure of Leisureworks due to COVID-19 there has been a reduction in visitations in 2019-20.
Animal Management					
Health and safety					
Animal management prosecutions [Number of successful animal management prosecutions/Number of animal management prosecutions]	New in 2020	New in 2020	New in 2020	100%	New measure in 2019-20
Food safety					
Health and safety					
Critical and major non-compliance outcome notifications [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	90.50%	90.16%	100.00%	100.00%	
Governance					
Satisfaction					
Satisfaction with Council decisions [Community satisfaction rating out of 100 with how Council has performed in making decisions in the interest of the community]	55	56	60	58	

Service/Indicator/Measure	Results				Material Variation Comment
	2016-17	2017-18	2018-19	2019-20	
Libraries					
Participation					
Active library borrowers in municipality	13.01%	13.39%	13.28%	12.87%	
[Number of active library borrowers in the last three Years/The sum of the population for the last three years] x100					
Maternal and Child Health (MCH)					
Participation					
Participation in the MCH service	80.88%	81.25%	79.12%	76.27%	
[Number of children who attend the MCH service at least once (in the year)/Number of children enrolled in the MCH service] x100					
Participation					
Participation in the MCH service by Aboriginal children	87.30%	75.47%	77.97%	80.36%	
[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					
Roads					
Satisfaction					
Satisfaction with sealed local roads	68	69	73	68	
[Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]					
Statutory Planning					
Decision-making					
Council planning decisions upheld at VCAT	52.00%	54.05%	33.33%	58.62%	Improvements in VCAT support for Council decisions is as a result of improved compliance with, and applicant understanding of Knox Housing Strategy policy requirements and provisions.
[Number of VCAT decisions that did not set aside Council's decisions in relation to a planning application/Number of VCAT decisions in relation					

Service/Indicator/Measure	Results				Material Variation Comment
	2016-17	2017-18	2018-19	2019-20	
to planning applications] x100					
Waste Collection					
Waste Diversion					
Kerbside Collection waste diverted from landfill	53.41%	51.97%	55.89%	53.44%	
[Weight of recyclables and green organics collected from kerbside bins/Weight of garbage, recyclables and green organics collected from kerbside bins] x100					

Definitions

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

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

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

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

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

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

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

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

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

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

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

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

"population" means the resident population estimated by council

"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 2020

Dimension/Indicator/Measure	Results				Forecasts				Comments*
	2017	2018	2019	2020	2021	2022	2023	2024	
Efficiency									
Expenditure level									
<i>Expenses per property assessment</i> [Total expenses / Number of property assessments]	\$2,219.18	\$2,237.89	\$2,308.49	\$2,441.81	\$3,194.24	\$2,907.19	\$2,676.03	\$2,689.06	
Revenue level									
<i>Average rate per property assessment</i> [General rates and Municipal charges / Number of property assessments]	New in 2020	New in 2020	New in 2020	\$1,523.82	\$1,559.78	\$1,610.32	\$1,638.30	\$1,667.01	
Liquidity									
Working capital <i>Current assets compared to current liabilities</i> [Current assets / Current liabilities] x100	235.53%	236.21%	236.52%	168.76%	127.36%	101.19%	100.27%	101.96%	Cash and cash equivalents combined with Other Financial Assets have decreased \$15.8 million, contributing to the majority of the \$18.2 million decrease in current assets. Current provisions have increased by \$2.5 million due to the reduction in interest rates impacting discount rates, together with a reduction in employee leave being taken.

Dimension/Indicator/Measure	Results				Forecasts				Comments*
	2017	2018	2019	2020	2021	2022	2023	2024	
<p>Unrestricted cash <i>Unrestricted cash compared to current liabilities</i> [Unrestricted cash / Current liabilities] x100</p>	-4.34%	-11.22%	27.20%	36.99%	58.46%	31.94%	39.80%	44.88%	<p>Unearned income increased by \$1.2 million due to the implementation of new Accounting Standards relating to the recognition of grant income. This ratio will decrease over the forecast period due to an increase in the capital works program, and the requirement to borrow funds to finance major projects.</p> <p>At 30 June 2020, Council had \$4.3 million in term deposits due to mature within 90 days. These deposits are not reflected in this measure as they are included in Other Financial Assets. Other Financial Assets, being term deposits held with an original maturity term greater than 90 days, have decreased by \$13.2 million at 30 June 2020 compared to 30 June 2019.</p>

Dimension/Indicator/Measure	Results				Forecasts				Comments*
	2017	2018	2019	2020	2021	2022	2023	2024	
Obligations									
Loans and borrowings									
<i>Loans and borrowings compared to rates</i> [Interest bearing loans and borrowings / Rate revenue] x100	0.00%	0.00%	0.00%	0.00%	58.31%	77.48%	79.26%	74.76%	
<i>Loans and borrowings repayments compared to rates</i> [Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100	14.34%	0.00%	0.00%	0.00%	3.89%	6.74%	7.98%	10.29%	
Indebtedness									
<i>Non-current liabilities compared to own source revenue</i> [Non-current liabilities / Own source revenue] x100	4.62%	3.63%	4.37%	3.19%	50.49%	65.09%	63.11%	57.75%	Own source revenue has increased by 1.62%, while non-current liabilities have decreased, mainly due to the decrease in the landfill provision. Over the next four year period there is an increase in the percentage as a result of anticipated borrowings to fund several planned major projects in the municipality.
Asset renewal and upgrade									
<i>Asset renewal and upgrade compared to depreciation</i> [Asset renewal and asset upgrade expense / Asset depreciation] x100	New in 2020	New in 2020	New in 2020	139.94%	274.37%	253.44%	256.64%	211.20%	

Dimension/Indicator/Measure	Results				Forecasts				Comments*
	2017	2018	2019	2020	2021	2022	2023	2024	
Operating position									
Adjusted underlying result <i>Adjusted underlying surplus (or deficit)</i> [Adjusted underlying surplus (deficit) / Adjusted underlying revenue] x100	10.31%	10.95%	9.37%	2.82%	-22.99%	-6.30%	6.09%	8.49%	The reduction in the adjusted underlying surplus is largely due to the increase in employee costs. The increase in employee costs includes an increase of \$2.9 million in employee provision liabilities from the previous year, and \$2.4 million in employee costs for capital works that have been deemed operational in nature. Depreciation has increased by \$2.2 million, while capital grants received have decreased by \$4.8 million. The underlying surplus is impacted over the next two years due to a forecast transfer of assets.
Stability									
Rates concentration <i>Rates compared to adjusted underlying revenue</i> [Rate revenue / Adjusted underlying revenue] x100	66.59%	66.74%	66.92%	68.62%	69.22%	69.29%	68.59%	68.54%	
Rates effort <i>Rates compared to property values</i> [Rate revenue / Capital improved value of rateable properties in the municipality] x100	0.26%	0.26%	0.22%	0.24%	0.23%	0.23%	0.23%	0.22%	Annual revaluations are now to be undertaken effective every 1 January. The valuation for 1 January 2020 showed an increase

Dimension/Indicator/Measure	Results				Forecasts				Comments*
	2017	2018	2019	2020	2021	2022	2023	2024	
									in CIV of 7%, after a decrease in CIV of 9% the previous year.

Definitions

"adjusted underlying revenue" means total income other than:

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

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

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

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

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

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

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

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

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

"population" means the resident population estimated by council

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

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

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

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

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