

# PERFORMANCE STATEMENT

The performance statement certified by Council will be to their final form after any changes, recommended or agreed to by the auditor, have been made.

## For the year ended 30 June 2020

Council is required under Section 127 of the Local Government Act (1989) to separately identify in the budget the Key Strategic Activities to be undertaken during the financial year, and performance targets and measure to each of those Key Strategic Activities.

Under Section 132 of the Act, it is required that the Key Strategic Activities and performance target and measures specified under Section 127 of the Act must be included in the Performance Statement in the Annual Report, and be subject to Audit.

The following table details the Key Strategic Activities and performance target and measures contained in the Council's 2019-20 budget compared to the actual results for the year.

### Description of municipality

Greater Shepparton is a vibrant, diverse community located approximately two hours north of Melbourne in the heart of the Goulburn Valley, the food bowl of Australia.

As a growing regional centre with a vibrant cultural mix of people, the community comprises approximately 66,000 residents living within 60 localities. However Shepparton services a much larger population of approximately 250,000 people as the main service centre for northern Victoria.

Greater Shepparton enjoys a young demographic with growing families, with 2016 census data showing the proportion of couples with children nearly three per cent above the regional Victorian average, at 27.8 per cent.

Our community is culturally rich with a large proportion of the population born overseas (13 per cent), with many residents immigrating from India, Afghanistan, Sudan, Italy, Iraq, Turkey, New Zealand and the Philippines. Italian, Arabic, Persian/Dari, Turkish, Albanian, Punjabi, Greek, Macedonian, Mandarin and Filipino/Tagalog are the most commonly spoken languages other than English.

Greater Shepparton is also the home to regional Victoria's largest Aboriginal community, making up approximately 3.5 per cent of the population.

Two hours north of Melbourne, Greater Shepparton's central location is a major advantage and has seen our urban centre emerge as the retail, industry and services hub for central Victoria. Located at the intersection of the Midland and Goulburn Valley Highways, Greater Shepparton provides easy access to Adelaide, Sydney, Brisbane and Melbourne.

The City of Greater Shepparton acts as a major industrial, employment and service centre for a wide catchment, including many rural settlements within and beyond its municipal boundaries, with its gross regional product totalling \$3.6 billion per annum.

Greater Shepparton forms part of the 'Food Bowl of Australia', which accounts for 25 per cent of the total value of Victoria's agricultural production. We are a national centre for dairy and horticulture, exporting reliable premium quality fresh and value-added produce via innovative practices and a world class irrigation system. Shepparton is also often referred to as the transport hub of regional Victoria due to its extensive road transport industry.

Major industries for the region include manufacturing, retail trade, health care and social assistance, agriculture and construction. Greater Shepparton is home to several multinational and iconic companies such as Campbell's Soups, SPC, Tatura Milk Industries (Bega), Unilever, Visy, Pental Soaps and Freedom Foods. Several multinational companies also reside just outside of the Greater Shepparton municipal boundary, such as Murray Goulburn Co-operative and Bega.

These companies utilise Shepparton as their major hub and home to their transport and logistics operations.

On 30 January 2020, COVID-19 was declared as a global pandemic by the World Health Organisation. In March 2020, the State of Victoria declared a state of emergency to respond to the COVID-19 outbreak. Greater Shepparton City Council (Council) responded in March by closing several facilities until government restrictions eased. Operations were also changed and adjusted to ensure the delivery of critical services.

Some of the Council services and facilities impacted were Aquamoves, Sports Stadiums, Performing Arts, Children's Services, KidsTown and Victoria Park Lake Caravan Park. The financial impact of COVID-19 on Greater Shepparton City Council has been disclosed in the notes to the financial statements.

Council adopted two separate economic responses to COVID-19 for the community. Stage 1 (March 2020) was estimated at \$1.5 million providing timely financial and direct support to businesses and the broader community. In June 2020, Stage 2 was announced estimated at \$2 million support for the community.

Council will continue to monitor revenue and expenditure levels over the next year and also provide support to the community.

## PERFORMANCE STATEMENT

### Sustainable Capacity Indicators

For the year ended 30 June 2020

INDICATOR/MEASURE	RESULTS 2017	RESULTS 2018	RESULTS 2019	RESULTS 2020	MATERIAL VARIATIONS
<b>Population</b>					
Expenses per head of municipal population [Total expenses / Municipal population]	\$1,715	\$1,815	\$1,903	\$1991	
Infrastructure per head of municipal population [Value of infrastructure / Municipal population]	\$12,800	\$14,616	\$14,809	\$16,783	In FY2020, a formal revaluation of Infrastructure Assets (excluding Bridges) was undertaken resulting in a revaluation increment of \$55.84 million.
Population density per length of road [Municipal population / Kilometres of local roads]	28	29	29	29	
<b>Own-source revenue</b>					
Own-source revenue per head of municipal population [Own-source revenue / Municipal population]	\$1,450	\$1,492	\$1,548	\$1,549	
<b>Recurrent grants</b>					
Recurrent grants per head of municipal population [Recurrent grants / Municipal population]	\$488	\$388	\$366	\$390	
<b>Disadvantage</b>					
Relative socio-economic disadvantage [Index of Relative Socio-economic Disadvantage by decile]	2	2	2	2	
<b>Workforce turnover</b>					
Percentage of staff turnover [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	10%	11%	9%	10%	

#### Definitions

“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*

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

“population” means Estimated Resident Population (ERP) sourced from the Australian Bureau of Statistics, Regional Population Growth, Australia (3218.0)

“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

## Service Performance Indicators

For the year ended 30 June 2020

INDICATOR/MEASURE	RESULTS 2017	RESULTS 2018	RESULTS 2019	RESULTS 2020	MATERIAL VARIATIONS
<b>Aquatic Facilities</b>					
<b>Utilisation</b>					
Utilisation of aquatic facilities [Number of visits to aquatic facilities / Municipal population]	10	10	9	7	Decrease in number of visits as Aquamoves closed on 18 March 2020 due to COVID-19.
<b>Animal Management</b>					
<b>Health and Safety</b>					
Animal management prosecutions [Number of successful animal management prosecutions / Number of animal management prosecutions) x 100]	New in 2020	New in 2020	New in 2020	100%	There were three successful prosecutions from three animal management prosecutions throughout the year.
<b>Food Safety</b>					
<b>Health and Safety</b>					
Critical and major non-compliance notifications [Number of critical non-compliance notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance notifications and major non-compliance notifications about food premises] x100]	0%	100%	0%	100%	In 2020 there was one notification while in 2019 there were zero critical or major non-compliance notifications.
<b>Governance</b>					
<b>Satisfaction</b>					
Satisfaction with Council decisions [Community satisfaction rating out of 100 with how Council has performed in making decisions in the interest of the community]	49	55	53	52	

INDICATOR/MEASURE	RESULTS 2017	RESULTS 2018	RESULTS 2019	RESULTS 2020	MATERIAL VARIATIONS
<b>Libraries</b>					
<b>Participation</b>					
Active library members [Number of active library members / Municipal population] x100	10%	9%	10%	10%	
<b>Maternal and Child Health (MCH)</b>					
<b>Participation</b>					
Participation in the MCH service [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100	78%	79%	77%	80%	
Participation in the MCH service by Aboriginal children [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	70%	77%	75%	88%	There has been further improvement in participation of the MCH service by Aboriginal children. This can be attributed to focus on engagement and improved collaboration with the Aboriginal community.
<b>Roads</b>					
<b>Satisfaction</b>					
Satisfaction with sealed local roads [Community satisfaction rating out of 100 with how Council has performed on the condition of sealed local roads]	40	55	57	57	
<b>Statutory Planning</b>					
<b>Decision making</b>					
Council planning decisions upheld at VCAT [Number of VCAT decisions that did not set aside Council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100	25%	100%	50%	100%	Low number of VCAT decisions. In 2019-20 there were 2 out of 2 Council planning decisions upheld at VCAT compared to 2 out of 4 in 2018-19
<b>Waste Collection</b>					
<b>Waste diversion</b>					
Kerbside collection waste diverted from landfill [Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100	52%	50%	51%	51%	

### 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

“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 Estimated Resident Population (ERP) sourced from the Australian Bureau of Statistics, Regional Population Growth, Australia (3218.0)

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

## Financial Performance Indicators

For the year ended 30 June 2020

DIMENSION/INDICATOR /MEASURE	RESULTS				FORECASTS				MATERIAL VARIATIONS
	2017	2018	2019	2020	2021	2022	2023	2024	
<b>EFFICIENCY</b>									
<b>Expenditure level</b>									
Expenses per property assessment	\$3,655	\$3,867	\$4,076	\$4,186	\$4,289	\$4,256	\$4,273	\$4,304	
[Total expenses / Number of property assessments]									
<b>Revenue level</b>									
Average rate per property assessment									
(General rates and Municipal charges / Number of property assessments)	New in 2020	New in 2020	New in 2020	\$2,542	\$2,279	\$2,302	\$2,325	\$2,348	

	RESULTS				FORECASTS				
DIMENSION/INDICATOR /MEASURE	2017	2018	2019	2020	2021	2022	2023	2024	MATERIAL VARIATIONS
<b>LIQUIDITY</b>									Reduction across 2020 and 2021 reflects increased capital expenditure on significant capital items including the New Shepparton Art Museum. Future years (FY2024) working capital is influenced by conservative assumptions on capital grant forecasts.
<b>Working capital</b>									
Current assets compared to current liabilities	249%	270%	271%	150%	107%	153%	142%	97%	
[Current assets / Current liabilities] x100									
<b>Unrestricted cash</b>									2017 and 2018 results include cash held in investments classified as other financial assets in the balance sheet. Between 2019 and 2020 the result remains stable.
Unrestricted cash compared to current liabilities	133%	164%	48%	47%	27%	5%	5%	5%	
[Unrestricted cash / Current liabilities] x100									
<b>OBLIGATIONS</b>									Movement between 2018 and 2020 reflects no new borrowings and payment of principal on existing debt. 2021 and 2022 projections include proposals for new borrowings to fund capital works.
<b>Loans and borrowings</b>									
Loans and borrowings compared to rates	27%	25%	22%	19%	29%	40%	36%	31%	
[Interest bearing loans and borrowings / Rate revenue] x100									
Loans and borrowings repayments compared to rates									
[Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100	5%	3%	3%	3%	3%	4%	5%	5%	
<b>Indebtedness</b>									2020 result includes new aftercare and rehabilitation provision for Cosgrove 3 landfill.
Non-current liabilities compared to own source revenue	27%	25%	24%	52%	29%	37%	33%	30%	
[Non-current liabilities / Own source revenue] x100									

	RESULTS				FORECASTS				
DIMENSION/INDICATOR /MEASURE	2017	2018	2019	2020	2021	2022	2023	2024	MATERIAL VARIATIONS
<b>Asset renewal and upgrade</b>									
Asset renewal and upgrade compared to depreciation	New in 2020	New in 2020	New in 2020	108%	127%	113%	103%	152%	
[Asset renewal and upgrade expenses / Asset depreciation] x100									
<b>OPERATING POSITION</b>									
<b>Adjusted underlying result</b>									
Adjusted underlying surplus (or deficit)	14%	5%	4%	-1%	-2%	-1%	-1%	-1%	2020 and future year underlying deficit results impacted by non-recurrent expenditure on non-council assets and conservative assumptions on key income components such as User Fees and Capital Grants and Contributions.
[Adjusted underlying surplus (deficit)/ Adjusted underlying revenue] x100									
<b>STABILITY</b>									
<b>Rates concentration</b>									
Rates compared to adjusted underlying revenue	56%	59%	59%	61%	63%	64%	64%	65%	
[Rate revenue / Adjusted underlying revenue] x100									
<b>Rates effort</b>									
Rates compared to property values	0.8%	0.8%	0.8%	0.7%	0.7%	0.7%	0.7%	0.8%	
[Rate revenue / Capital improved value of rateable properties in the municipality ] x100									



## Retired Financial Performance Indicators

For the year ended 30 June 2020

DIMENSION/INDICATOR /MEASURE	RESULTS			
	2017	2018	2019	2020
<b>EFFICIENCY</b>				
<b>Revenue level</b>				
Average residential rate per residential property assessment	\$1,870	\$1,919	\$1,920	Retired in 2020
[Residential rate revenue / Number of residential property assessments]				
<b>OBLIGATIONS</b>				
<b>Asset renewal</b>				
Asset renewal compared to depreciation	108%	76%	101%	Retired in 2020
[Asset renewal expenses / Asset depreciation] x100				

### 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 in paragraphs (a) and (b)

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

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

“current assets” has the same meaning as in the AAS

“current liabilities” has the same meaning as in the AAS

“non-current assets” means all assets other than current assets

“non-current liabilities” means all liabilities other than current liabilities

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

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

“population” means the resident population estimated by council

“rate revenue” means revenue from general rates, municipal charges, service rates and service charges

“recurrent grant” means a grant other than a non-recurrent grant

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

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

“unrestricted cash” means all cash and cash equivalents other than restricted cash.

## Other Information

### 1. Basis of preparation

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

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

The performance statement presents the actual results for the current year for the prescribed financial performance indicators and measures as well as the results forecast by the council’s strategic resource plan.

The Local Government (Planning and Reporting) Regulations 2014 requires explanation of any material variations in the results contained in the performance statement. Council has adopted the materiality thresholds as per Appendix B – Materiality Guidelines of the Local Government Better Practice Guide 2014-15 Performance Statement. Explanations have not been provided for variations below the materiality thresholds unless the variance is considered to be material of its nature.

The forecast figures included in the performance statement are those adopted by council in its adopted budget and strategic resource plan on 16 June 2019. The strategic resource plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term.

Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The strategic resource plan can be obtained by visiting [www.greatershepparton.com.au](http://www.greatershepparton.com.au)

### **Certification of the Performance Statement**

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

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Matthew Jarvis CPA  
Principal Accounting Officer

Dated:

In our opinion, the accompanying performance statement of the Greater Shepparton City Council for the year ended 30 June 2020 presents fairly the results of Council's performance in accordance with the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014*.

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

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

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

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Cr Seema Abdullah  
Mayor

Dated:

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Cr Dinny Adem  
Deputy Mayor

Dated:

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Peter Harriott  
Chief Executive Officer

Dated:

**DRAFT**

**Greater Shepparton City Council  
ANNUAL FINANCIAL REPORT**

*For the Year Ended 30 June 2020*

The final statements certified by Council will be to their final form after any changes, recommended or agreed to by the auditor, have been made

**Greater Shepparton City Council**  
**Financial Report**  
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## **Certification of the Financial Statements**

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

*Matthew Jarvis CPA*

**Principal Accounting Officer**

**Date :** 15 September 2020

90 Welsford Street,  
Shepparton, Victoria, 3630

In our opinion the accompanying financial statements present fairly the financial transactions of Greater Shepparton 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 Seema Abdullah - Mayor*

**Councillor**

**Date :** 15 September 2020

90 Welsford Street,  
Shepparton, Victoria, 3630

*Cr Dinny Adem*

**Councillor**

**Date :** 15 September 2020

90 Welsford Street,  
Shepparton, Victoria, 3630

*Peter Harriott*

**Chief Executive Officer**

**Date :** 15 September 2020

90 Welsford Street,  
Shepparton, Victoria, 3630

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

	Note	2020 \$'000	2019 \$'000
<b>Income</b>			
Rates and charges	3.1	80,392	77,487
Statutory fees and fines	3.2	3,183	3,029
User fees	3.3	16,800	18,873
Grants - operating	3.4	24,803	25,418
Grants - capital	3.4	16,787	8,566
Contributions - monetary	3.5	3,160	5,026
Contributions - non-monetary	3.5	11,655	9,187
Share of net profits (or loss) of associates and joint ventures	6.3	54	-
Other income	3.7	2,567	2,773
<b>Total income</b>		<b>159,401</b>	<b>150,359</b>
<b>Expenses</b>			
Employee costs	4.1	(51,174)	(49,505)
Materials and services	4.2	(50,436)	(46,744)
Depreciation	4.3	(27,274)	(26,182)
Amortisation - right of use assets	4.4	(370)	-
Bad and doubtful debts	4.5	(69)	(108)
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	3.6	(492)	(830)
Borrowing costs	4.6	(1,946)	(1,420)
Finance costs - leases	4.7	(38)	-
Share of net profits (or loss) of associates and joint ventures	6.3	-	(65)
Other expenses	4.8	(581)	(653)
<b>Total expenses</b>		<b>(132,380)</b>	<b>(125,507)</b>
<b>Surplus/(deficit) for the year</b>		<b>27,021</b>	<b>24,852</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to surplus in future periods</b>			
Net asset revaluation increment	9.1	55,844	-
<b>Total comprehensive result</b>		<b>82,865</b>	<b>24,852</b>

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
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5.1	34,692	32,742
Trade and other receivables	5.1	14,828	7,721
Other financial assets	5.1	10,000	32,000
Inventories	5.2 (a)	89	107
Non-current assets classified as held for sale	6.1	450	55
Other assets	5.2 (b)	1,259	1,698
<b>Total current assets</b>		<b>61,318</b>	<b>74,323</b>
<b>Non-current assets</b>			
Investments in associates, joint arrangements and subsidiaries	6.3	1,447	1,393
Property, infrastructure, plant and equipment	6.2	1,162,016	1,056,130
Right-of-use assets	5.8	934	-
Intangible assets	5.2 (c)	32,276	-
<b>Total non-current assets</b>		<b>1,196,673</b>	<b>1,057,523</b>
<b>Total assets</b>		<b>1,257,991</b>	<b>1,131,846</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	5.3 (a)	20,547	13,479
Trust funds and deposits	5.3 (b)	2,740	2,805
Unearned income	5.3 (c)	1,317	-
Provisions	5.5	14,403	9,762
Interest-bearing liabilities	5.4	1,613	1,429
Lease liabilities	5.8	288	-
<b>Total current liabilities</b>		<b>40,908</b>	<b>27,475</b>
<b>Non-current liabilities</b>			
Provisions	5.5	39,426	8,572
Interest-bearing liabilities	5.4	13,973	15,641
Lease liabilities	5.8	661	-
<b>Total non-current liabilities</b>		<b>54,060</b>	<b>24,213</b>
<b>Total liabilities</b>		<b>94,968</b>	<b>51,688</b>
<b>Net assets</b>		<b>1,163,023</b>	<b>1,080,158</b>
<b>Equity</b>			
Accumulated surplus		444,293	417,272
Reserves	9.1	718,730	662,886
<b>Total Equity</b>		<b>1,163,023</b>	<b>1,080,158</b>

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

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

2020	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000
Balance at beginning of the financial year		1,080,158	417,272	662,886
Surplus/(deficit) for the year		27,021	27,021	-
Net asset revaluation increment/(decrement)	6.2, 9.1	55,844	-	55,844
<b>Balance at end of the financial year</b>		<b>1,163,023</b>	<b>444,293</b>	<b>718,730</b>

2019		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000
Balance at beginning of the financial year		1,055,306	392,420	662,886
Surplus/(deficit) for the year		24,852	24,852	-
<b>Balance at end of the financial year</b>		<b>1,080,158</b>	<b>417,272</b>	<b>662,886</b>

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
<b>Cash flows from operating activities</b>			
Rates and charges		77,955	77,556
Statutory fees and fines		2,738	2,575
User fees		16,800	18,873
Grants - operating		24,803	25,418
Grants - capital		12,287	8,566
Contributions - monetary		3,160	5,026
Interest received		1,012	1,136
Trust funds and deposits taken		134	(31)
Other receipts		3,793	3,483
Net GST refund/payment		(481)	(579)
Employee costs		(48,622)	(48,839)
Materials and services		(42,704)	(43,714)
<b>Net cash provided by operating activities</b>	9.2	<u>50,875</u>	<u>49,470</u>
<b>Cash flows from investing activities</b>			
Payments for property, infrastructure, plant and equipment	6.2	(68,607)	(38,203)
Proceeds from sale of property, infrastructure, plant and equipment	3.6	452	481
Payments for investments		22,000	(500)
<b>Net cash used in investing activities</b>		<u>(46,155)</u>	<u>(38,222)</u>
<b>Cash flows from financing activities</b>			
Finance costs		(892)	(950)
Repayment of borrowings		(1,485)	(1,366)
Interest paid - lease liability		(38)	-
Repayment of lease liabilities		(355)	-
<b>Net cash used in financing activities</b>		<u>(2,770)</u>	<u>(2,316)</u>
Net increase in cash and cash equivalents		1,950	8,932
Cash and cash equivalents at the beginning of the financial year		32,742	23,810
<b>Cash and cash equivalents at the end of the financial year</b>	5.1	<u>34,692</u>	<u>32,742</u>
Financing arrangements	5.6		
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

	2020 \$'000	2019 \$'000
<b>Property</b>		
Land	587	468
Land improvements	285	905
Buildings	33,008	5,220
<b>Total property</b>	<b>33,880</b>	<b>6,593</b>
<b>Plant and equipment</b>		
Plant, machinery and equipment	2,905	3,096
Fixtures, fittings and furniture	225	332
Computers and telecommunications	1,552	1,139
<b>Total plant and equipment</b>	<b>4,682</b>	<b>4,567</b>
<b>Infrastructure</b>		
Roads	19,265	12,846
Bridges	1,054	662
Footpaths and cycleways	1,167	843
Drainage	1,937	343
Recreational, leisure and community facilities	3,204	2,133
Waste management	762	8,975
Parks, open space and streetscapes	1,979	1,427
Aerodromes	3	36
Off street car parks	300	69
Other infrastructure	407	265
<b>Total infrastructure</b>	<b>30,078</b>	<b>27,599</b>
<b>Total capital works expenditure</b>	<b>68,640</b>	<b>38,759</b>
<b>Represented by:</b>		
New asset expenditure	34,479	6,282
Asset renewal expenditure	19,481	26,405
Asset expansion expenditure	4,760	1,349
Asset upgrade expenditure	9,920	4,723
<b>Total capital works expenditure</b>	<b>68,640</b>	<b>38,759</b>

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

## OVERVIEW

### Introduction

The Greater Shepparton City Council was established by an Order of the Governor in Council on 18 November 1994 and is a body corporate. The Council's main office is located at 90 Welsford Street, Shepparton, Victoria, 3630.

### 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 5.8)
- 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.

**(b) COVID-19**

In late January 2020, COVID-19 was declared as a global pandemic by the World Health Organisation. In March 2020, the State of Victoria declared a state of emergency to respond to the COVID-19 outbreak.

Greater Shepparton City Council (Council) responded in March by closing several facilities for a number of weeks until the government restrictions changed. Operations were also changed and adjusted to ensure the delivery of critical services. The closure of facilities was forecast to have a direct impact on User Fee income in particular the areas of Aquamoves (Regional Aquatic Facility), Sports Stadiums, Performing Arts Centres and Caravan Park. Note 1.1 confirms that User Fee income was down 9.0 percent or \$1.67 million on the Adopted Budget.

Despite reductions in Employee Costs and Materials and Services (utilities) at closed facilities, both expense categories across the whole organisation have been immaterially impacted by COVID-19. Council has identified \$172,000 worth of COVID-19 related expenditure in 2019/20 for increased cleaning and OH&S measures including personal protective equipment.

Prior to 30 June 2020, Council also adopted two separate economic responses to COVID-19 for the community. Stage 1 (March 2020) was estimated at \$1.5 million providing timely financial and direct support to businesses and the broader community. In June 2020, Stage 2 was announced estimated at \$2 million support for the community.

Through these economic support packages, User Fees (such as sporting groups using council facilities being offered fee waivers) and Other Income (lessees of Council owned buildings being offered credits) have been impacted. For 2019/20 the estimated cost of these items were \$30,000 and \$69,000 in lost revenue respectively.

The economic support packages gave ratepayers flexibility with making rate payments. No waivers were offered, however, ratepayers with outstanding rates were not charged penalty interest (estimated cost of \$78,000 for 2019/20) and Council did not refer any case files to formal debt collectors. While outstanding rates debtor balances have increased by 30 June 2020 compared to prior year, the ability for Council to collect these amounts in the future sees no impact on Rates and Charges revenue.

Due to the economic support packages an amount of grants have been made available to eligible business and organisations (\$173,000 in 2019/20) as well as a \$125,000 grants program for Tourism Groups (applicable to 2020/21). These have had immaterial impacts on Council's materials and services expenditure.

Non-current asset values are not expected to be materially impacted by COVID-19 as at 30 June 2020. Formal revaluations were undertaken for Infrastructure assets during 2019/20.

COVID-19 related disclosures have been made in the following notes:

Note 4.5 Bad and Doubtful Debts

Note 5.1 (c) and (e) Financial Assets - Trade and Other Receivables and Provision for Doubt Debts

Note 5.3 (a) Trade and Other Payables

Note 6.2 Property, Infrastructure, Plant and Equipment - Valuation of Infrastructure

**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 10 percent and \$100,000 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 18 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
<b>Income</b>					
Rates and charges	80,636	80,392	(244)	(0.3%)	
Statutory fees and fines	3,200	3,183	(17)	(0.5%)	
User fees	18,469	16,800	(1,669)	(9.0%)	1
Grants - operating	17,388	24,803	7,415	42.6%	2
Grants - capital	20,707	16,787	(3,920)	(18.9%)	3
Contributions - monetary	4,591	3,160	(1,431)	(31.2%)	4
Contributions - non-monetary	6,412	11,655	5,243	81.8%	5
Net gain/(loss) on disposal of PIP&E	(155)	(492)	(337)	217.4%	6
Share of net profits/(losses) of associates and joint ventures	-	54	54	100.0%	
Other income	2,069	2,567	498	24.1%	7
<b>Total income</b>	<b>153,317</b>	<b>158,909</b>	<b>5,592</b>	<b>3.5%</b>	
<b>Expenses</b>					
Employee costs	50,498	51,174	(676)	(1.3%)	
Materials and services	47,020	50,436	(3,416)	(7.3%)	8
Depreciation	28,505	27,274	1,231	4.3%	9
Amortisation - Right of use assets	-	370	(370)	(100.0%)	10
Bad and doubtful debts	216	69	147	68.1%	11
Borrowing costs	995	1,946	(951)	(95.6%)	12
Finance costs - Leases	-	38	(38)	(100.0%)	
Other expenses	757	581	176	23.2%	13
<b>Total expenses</b>	<b>127,991</b>	<b>131,888</b>	<b>(3,897)</b>	<b>(3.4%)</b>	
<b>Surplus/(deficit) for the year</b>	<b>25,326</b>	<b>27,021</b>	<b>1,695</b>	<b>4.2%</b>	



### 1.1 Income and expenditure (ctd)

#### (i) Explanation of material variations

Variance Ref	Item	Explanation
1	User fees	Less than budget by \$1.67m largely due to less attendance at Council run facilities due to COVID-19 and including but not limited to Aquamoves \$665k, Frank Pullar Childcare Operations \$268k, Ticket Machines - Parking Fees \$243k, Eastbank Operations \$221k and Shepparton Resource Recovery Centre \$152k.
2	Grants - operating	Greater than budget by \$7.42m largely due to the early receipt of half of the 2020/21 Federal Financial Assistance Grant Funding \$6.38m in addition to Children Services Management \$364k, School Readiness Funding \$207k, Family Day Care Operations \$175k, Aged Domestic Assistance \$147k and Aged Meals on Wheels \$123k.
3	Grants - capital	Less than budget by \$3.92m largely due to the timing of the Federal Grant Funding for New SAM \$5m rebudgeted into 2020/21 partially offset by additional grant money received for Balaclava Verney Dookie Intersection \$1.9m.
4	Contributions - monetary	Less than budget by \$1.43m largely due to the timing of contributions for New SAM \$2.15m rebudgeted into 2020/21 partially offset by additional contributions from GV Water for their share of the Balaclava Verney Dookie Intersection \$670k.
5	Contributions - non-monetary	Greater than budget by \$5.24m due to greater than anticipated Developer Gifted Assets received such as Kialla Lakes \$1.28m, Doyles Road Service Road \$917k and Shepparton Industrial Park \$804k.
6	Net gain/(loss) on disposal of property, infrastructure, plant and equipment (PIP&E)	Greater than budget by \$337k largely due to the write off of Drainage assets removed from the asset register (\$331k).
7	Other income	Greater than budget by \$498k largely due to additional income received for the Installation of Solar on Council Buildings \$179k, Community Wellbeing Section 86 Committee Volunteer recognition \$130k and BMX State and National Events \$117k.
8	Materials and services	Greater than budget by \$3.42 largely due to the write off of assets expenditure on non-Council assets \$1.61m and expensing of the Cosgrove 2 Landfill closure and aftercare provision \$1.13m.
9	Depreciation	Less than budget by \$1.23m due to lower 'New' capital expenditure in the 2018/19 financial year resulting in less than budgeted depreciation expenditure.
10	Amortisation - Right of use assets	Amortisation of Right of Use Assets recognised 1 July 2019 in conjunction with new lease standard AASB 16.
11	Bad and doubtful debts	Less than budget by \$147k due to a budget error with the consolidation and centralisation of expensing doubtful debt provisions from individual departments.
12	Borrowing costs	Greater than budget by \$951k largely due to the change in discount factor for the Cosgrove 2 Landfill closure and aftercare provision and change in discount factor for the Employee entitlements provision.
13	Other expenses	Less than budget by \$176k largely due to lower expenditure for Photocopier leases \$104k, VIC Administration building lease \$37k and Internal Audit \$31k.

## 1.2 Capital works

	Budget 2020 \$'000	Actual 2020 \$'000	Variance \$'000	Variance %	Ref
<b>Property</b>					
Land	-	587	587	100.0%	1
Land improvements	406	285	(121)	(29.8%)	2
Buildings	30,802	33,008	2,206	7.2%	3
<b>Total property</b>	<b>31,208</b>	<b>33,880</b>	<b>2,672</b>	<b>8.6%</b>	
<b>Plant and equipment</b>					
Plant, machinery and equipment	2,311	2,905	594	25.7%	4
Fixtures, fittings and furniture	406	225	(181)	(44.6%)	5
Computers and telecommunications	2,208	1,552	(656)	(29.7%)	6
<b>Total plant and equipment</b>	<b>4,925</b>	<b>4,682</b>	<b>(243)</b>	<b>(4.9%)</b>	
<b>Infrastructure</b>					
Roads	21,105	19,265	(1,840)	(8.7%)	7
Bridges	1,062	1,054	(8)	(0.8%)	
Footpaths and cycleways	3,142	1,167	(1,975)	(62.9%)	8
Drainage	3,213	1,937	(1,276)	(39.7%)	9
Recreational, leisure and community facilities	4,806	3,204	(1,602)	(33.3%)	10
Waste management	500	762	262	52.4%	11
Parks, open space and streetscapes	1,362	1,979	617	45.3%	12
Aerodromes	369	3	(366)	(99.2%)	13
Off street car parks	415	300	(115)	(27.7%)	14
Other infrastructure	470	407	(63)	(13.4%)	
<b>Total infrastructure</b>	<b>36,444</b>	<b>30,078</b>	<b>(6,366)</b>	<b>(17.5%)</b>	
Project Management Office	1,100	-	(1,100)	(100.0%)	15
<b>Total capital works expenditure</b>	<b>73,677</b>	<b>68,640</b>	<b>(5,037)</b>	<b>(6.8%)</b>	
<b>Represented by:</b>					
New asset expenditure	33,663	34,479	816	2.4%	
Asset renewal expenditure	19,697	19,481	(216)	(1.1%)	
Asset expansion expenditure	13,514	4,760	(8,754)	(64.8%)	
Asset upgrade expenditure	6,803	9,920	3,117	45.8%	
<b>Total capital works expenditure</b>	<b>73,677</b>	<b>68,640</b>	<b>(5,037)</b>	<b>(6.8%)</b>	

## 1.2 Capital works (ctd)

## (i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	Greater than budget by \$587k due to Raftery Road Land Purchase \$423k (a strategic land acquisition for Council's open space network funded through open space developer contributions), Southdown Precinct Land Acquisition \$143k and the purchase of land at 287 Doyles Road \$20k.
2	Land improvements	Less than budget by \$121k largely due to savings on the Safer City Camera Network Stage 2 of \$90k.
3	Buildings	Greater than budget by \$2.2m largely due to expenditure for the new Shepparton Art Museum \$2.9m being brought forward from 2020/21, offset by savings in Building Renewals \$276k and rebudget of Saleyards Remediation \$97k into 2020/21.
4	Plant, machinery and equipment	Greater than budget by \$594k largely due to Motor Vehicles and Plant with the purchase of a paveline truck rebudgeted from 2018/19 (\$402k) and 2 electric vehicles that were originally budgeted to be petrol vehicles (\$34k).
5	Fixtures, fittings and furniture	Less than budget by \$181k largely due to the rebudget of Riverlinks Sound System Upgrade \$237k into 2020/21.
6	Computers and telecommunications	Less than budget by \$656k largely due to the rebudget of Public Wifi Project \$646k into 2020/21.
7	Roads	Less than budget by \$1.84m largely due to the rebudget of Maude Street Upgrade \$1.7m into 2020/21.
8	Footpaths and cycleways	Less than budget by \$1.98m largely due to the rebudget of Shared Path Extension Route 3 & Route 5 \$1.54m into 2020/21 and the savings on the Midland Highway Recreational Path \$116k.
9	Drainage	Less than budget by \$1.28m largely due to North Growth Corridor Drainage \$1.1m and Southdown Precinct Yakka Basin Upgrade \$94k being rebudgeted into 2020/21.
10	Recreational, leisure and community facilities	Less than budget by \$1.6m largely due to the rebudget of Aquamoves 50m Pool Heating \$392k, Aquamoves 25m Pool Tile Renewal \$236k, Princess Park Facilities Precinct \$176k, Youth Spots \$174k, Sports Precinct Storage Compound \$145k and Sports Precinct Recirculation Pump \$136k into the 2020/21 financial year, also including savings on the Kialla Park Female Friendly Changerooms \$146k.
11	Waste management	Greater than budget by \$262k due to additional expenditure on the construction of Cosgrove 3 landfill.
12	Parks, open space and streetscapes	Greater than budget by \$617k largely due to additional expenditure on Kialla Park Oval Reconstruction \$414k and McLennan Street Landscaping \$242k.
13	Aerodromes	Less than budget by \$366k due to the rebudget of Shepparton Aerodrome Plane Parking CASA Compliance \$366k into the 2020/21 financial year.
14	Off street car parks	Less than budget by \$115k due to the rebudget of Tom Collins Drive - Landscaping, Parking and Revegetation \$115k into the 2020/21 financial year.
15	Project management office	Less than budget by \$1.1m due to Project Management Office costs, incurred solely in the management of Council's capital works being allocated to the various capital projects during the financial year.

## Note 2 - Results by program

### Analysis of Council results by program

Council delivers its functions and activities through the following Directorates.

#### Community

The Community Directorate includes services for Community, Children & Youth, Active Living, Performing Arts, Shepparton Art Museum, Library and Emergency Management

#### Corporate Services

The Corporate Services Directorate includes Finance and Rates, Information and Communication Technology, Marketing and Communications, People and Development, Citizen Services and Corporate Governance

#### Infrastructure

The Infrastructure Directorate services includes Works and Waste, Projects, Parks, Sport and Recreation and managing Strategic Assets

#### Sustainable Development

The Sustainable Development Directorate provides Building and Planning, Environment and Economic Development Services

### Analysis of Council results by program

#### Summary of revenues, expenses, assets and capital expenses by program

	Annual Report				
	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2020</b>					
Community	17,608	(29,174)	(11,566)	11,135	1,475
Corporate Services	92,643	(43,705)	48,938	9,581	61,318
Infrastructure	42,586	(44,107)	(1,520)	20,303	1,195,164
Sustainable Development	6,564	(15,394)	(8,831)	571	34
	<b>159,401</b>	<b>(132,380)</b>	<b>27,021</b>	<b>41,590</b>	<b>1,257,991</b>
	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2019</b>					
Community	20,059	(29,248)	(9,189)	11,451	1,393
Corporate Services	91,572	(44,623)	46,949	9,941	74,323
Infrastructure	35,103	(40,577)	(5,474)	11,994	1,056,130
Sustainable Development	3,625	(11,059)	(7,434)	598	-
	<b>150,359</b>	<b>(125,507)</b>	<b>24,852</b>	<b>33,984</b>	<b>1,131,846</b>

<b>Note 3 Funding for the delivery of our services</b>	<b>2020</b>	<b>2019</b>
<b>3.1 Rates and charges</b>	<b>\$'000</b>	<b>\$'000</b>

Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is its market value, which takes into account the land and all improvements fixed to the land.

The valuation base used to calculate general rates for 2019/20 was \$10.972 billion (2018/19 \$10.228 billion).

General rates	62,555	60,739
Municipal charge	5,961	5,890
Waste management charge	10,034	9,753
Supplementary rates and rate adjustments	1,659	868
Interest on rates and charges	183	237
<b>Total rates and charges</b>	<b>80,392</b>	<b>77,487</b>

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

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

### 3.2 Statutory fees and fines

Infringements and costs	1,370	1,302
Town planning fees	466	518
Land information certificates	69	64
Permits	1,274	1,143
Other	4	2
<b>Total statutory fees and fines</b>	<b>3,183</b>	<b>3,029</b>

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

### 3.3 User fees

Aged and health services	708	748
Animal control	77	170
Aquatic facilities	2,695	3,543
Arts and culture	208	128
Child services	1,411	1,856
Development facilities	683	741
Environmental health	18	8
Financial services	117	346
Parking	907	1,188
Recreation facilities	710	1,042
Saleyards	1,489	1,747
Tourism	711	1,029
Waste management services	6,505	5,340
Other	561	987
<b>Total user fees</b>	<b>16,800</b>	<b>18,873</b>
<b>User fees by timing of revenue recognition</b>		
User fees recognised at a point in time	16,800	-
<b>Total user fees</b>	<b>16,800</b>	<b>-</b>

User fees are recognised as revenue at a point in time, or over time, when (or as) the performance obligation is satisfied. Recognition is based on the underlying contractual terms.

3.4 Funding from other levels of government	2020	2019
Grants were received in respect of the following :	\$'000	\$'000
<b>Summary of grants</b>		
Commonwealth funded grants	31,093	18,774
State funded grants	10,497	15,210
<b>Total grants received</b>	<b>41,590</b>	<b>33,984</b>
<b>(a) Operating Grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Federal Financial Assistance Grants	9,657	9,682
Children's and Youth Services	3,209	3,176
Neighbourhoods	2,635	2,464
Projects	3,217	3,159
Environmental Health	7	7
<b>Recurrent - State Government</b>		
Neighbourhoods	546	1,092
Children's and Youth Services	4,120	3,929
Environmental Health	80	181
Arts and Culture	120	220
Emergency Management	120	120
Economic Development	33	3
Citizen Services	161	145
<b>Total recurrent operating grants</b>	<b>23,905</b>	<b>24,178</b>
<b>Non-recurrent - Commonwealth Government</b>		
Children's and Youth Services	5	10
Saleyards	-	94
Recreation and Parks	37	-
Works and Waste	-	8
<b>Non-recurrent - State Government</b>		
Children's and Youth Services	104	60
Arts and Culture	146	222
Neighbourhoods	69	105
Active Living	60	53
Environmental	45	7
Finance and Rates	65	110
Economic Development	186	273
Planning and Building	60	127
Recreation and Parks	104	96
Works and Waste	17	70
Citizen Services	-	5
<b>Total non-recurrent operating grants</b>	<b>898</b>	<b>1,240</b>
<b>Total operating grants</b>	<b>24,803</b>	<b>25,418</b>
<b>(b) Capital Grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Infrastructure	2,033	-
<b>Total recurrent capital grants</b>	<b>2,033</b>	<b>-</b>
<b>Non-recurrent - Commonwealth Government</b>		
Infrastructure	1,793	174
Arts and Culture	8,500	-
<b>Non-recurrent - State Government</b>		
Arts and Culture	2,500	4,500
Infrastructure	1,349	2,595
Property	365	747
Plant and equipment	240	286
Recreation and Parks	7	264
<b>Total non-recurrent capital grants</b>	<b>14,754</b>	<b>8,566</b>
<b>Total capital grants</b>	<b>16,787</b>	<b>8,566</b>

## 3.4 Funding from other levels of government (ctd)

(c) Unspent grants received on condition that they be spent in a specific manner	2020	2019
<i>Operating</i>	\$'000	\$'000
Balance at start of year	156	297
Received during the financial year and remained unspent at balance date	1,026	23
Received in prior years and spent during the financial year	(17)	(164)
<b>Balance at year end</b>	<b>1,165</b>	<b>156</b>
<i>Capital</i>		
Balance at start of year	1,841	270
Received during the financial year and remained unspent at balance date	176	1,841
Received in prior years and spent during the financial year	(1,700)	(270)
<b>Balance at year end</b>	<b>317</b>	<b>1,841</b>

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

If the grant agreement does not specify performance obligations, the grant is recognised when it is received.

2019 figures have been restated for unspent grants. At 1 July 2018, \$6.27m was included for the Federal Financial Assistance Grants (VGC) that were received early which have been removed. A further 304k for capital grants received during the year and unspent at 30 June 2019 have been removed due to duplication.

## 3.5 Contributions

Monetary	3,160	5,026
Non-monetary	11,655	9,187
<b>Total contributions</b>	<b>14,815</b>	<b>14,213</b>

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

Land	74	228
Roads	6,072	4,336
Other infrastructure	5,509	4,623
<b>Total non-monetary contributions</b>	<b>11,655</b>	<b>9,187</b>

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	452	481
Written down value of assets disposed	(944)	(1,311)
<b>Total net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>	<b>(492)</b>	<b>(830)</b>

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

## 3.7 Other income

Interest	781	1,252
Rent	364	431
Other	1,422	1,090
<b>Total other income</b>	<b>2,567</b>	<b>2,773</b>

Interest is recognised as it is earned.

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

**Note 4 The cost of delivering services****4.1 (a) Employee costs**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Wages and salaries	45,684	44,166
WorkCover	888	733
Superannuation	4,427	4,398
Fringe benefits tax	175	208
<b>Total employee costs</b>	<b>51,174</b>	<b>49,505</b>

2019 figures have been restated for wages and salaries. The 2019 provisions for long service leave included a portion of \$412k for fair value movements. The fair value movements have been moved to note 4.6 borrowing costs in line with accounting policies.

**(b) Superannuation**

Council made contributions to the following funds:

**Defined benefit fund**

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	129	137
Employer contributions - other funds	9	10
	<b>138</b>	<b>147</b>
Employer contributions payable at reporting date.	-	-

**Accumulation funds**

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	2,685	2,742
Employer contributions - other funds	1,604	1,509
	<b>4,289</b>	<b>4,251</b>
Employer contributions payable at reporting date.	126	133

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

**4.2 Materials and services**

Utilities	3,118	2,907
Training and development	661	610
Information technology	1,984	2,092
Building maintenance	2,257	1,725
Motor vehicle expenses	1,636	1,807
General maintenance	4,021	3,769
Insurance	1,015	803
Waste management	10,067	9,997
Advertising and marketing	1,341	1,546
Consultants	2,001	1,627
EPA levy	2,016	1,486
Legal fees	1,052	1,290
Sponsorships and contributions	4,028	3,433
Non-Council asset works	2,019	1,880
Operational supplies and services	13,220	11,772
<b>Total materials and services</b>	<b>50,436</b>	<b>46,744</b>

**4.3 Depreciation**

Property	1,994	1,952
Plant and equipment	2,296	2,239
Infrastructure	22,984	21,991
<b>Total depreciation</b>	<b>27,274</b>	<b>26,182</b>

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



**Note 4 The cost of delivering services (ctd)**

<b>4.4 Amortisation - Right of use assets</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Property	51	-
Vehicles	296	-
Sound equipment	23	-
<b>Total Amortisation - Right of use assets</b>	<b>370</b>	<b>-</b>

Refer to note 5.2( c ), 5.8 and 6.2 for a more detailed breakdown of amortisation charges and accounting policy.

**4.5 Bad and doubtful debts**

Parking fine debtors	60	105
Other debtors	9	3
<b>Total bad and doubtful debts</b>	<b>69</b>	<b>108</b>

**Movement in provisions for doubtful debts**

Balance at the beginning of the year	(285)	(277)
New provisions recognised during the year	(71)	(105)
Amounts already provided for and written off as uncollectible	60	85
Amounts provided for but recovered during the year	-	12
<b>Balance at end of year</b>	<b>(296)</b>	<b>(285)</b>

Provision for doubtful debt is recognised based on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment.

COVID-19 Disclosure - excluding one-off items, year end sundry debtor balances have not escalated above 2019 levels. When using the expected credit loss model, in addition to 'base expectations', Council has also applied to other debts greater than 30 days outstanding a factor of between 0.5% to 2.0% (greater than 90 days) in consideration of potential economic impacts of prolonged restrictions due to COVID-19. For Parking Infringements (Tickets issued, penalty reminder notices issued and final notices) a factor of 4.5% has been applied.

**4.6 Borrowing costs**

Interest - Borrowings	885	1,009
Fair value movements	1,061	411
<b>Total borrowing costs</b>	<b>1,946</b>	<b>1,420</b>

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

2019 figures have been restated for fair value movements. In 2019 the full fair value movements were included in the expense of the provision (\$412k in Employee costs and -\$1k in Materials and services) and have been moved to borrowing costs for consistency and also restated in note 9.2. There is nil net overall impact to the income statement.

**4.7 Finance costs - Leases**

Interest - Lease liabilities	38	-
<b>Total finance costs</b>	<b>38</b>	<b>-</b>

**4.8 Other expenses**

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	85	46
Auditors' remuneration - Internal	70	93
Councillors' allowances	316	310
Others	110	204
<b>Total other expenses</b>	<b>581</b>	<b>653</b>

The 2020 auditors' remuneration figure is influenced by a \$15k fee that is for the 2019 interim audit.

<b>Note 5 Our financial position</b>	<b>2020</b>	<b>2019</b>
<b>5.1 Financial assets</b>	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Cash and cash equivalents</b>		
Cash on hand	9	10
Cash at bank	20,683	6,232
Cash equivalent deposits	14,000	26,500
<b>Total cash and cash equivalents</b>	<b>34,692</b>	<b>32,742</b>
Council's cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:		
<b>Funds held on a statutory basis</b>		
Cash in lieu of car parks - Developer contributions	1,208	1,125
Civil works developer contributions fund	829	745
Recreational land contributions fund	151	490
<b>Total funds held on a statutory basis</b>	<b>2,188</b>	<b>2,360</b>
<b>Total trust funds and deposits (Note 5.3)</b>	<b>2,740</b>	<b>2,805</b>
<b>Total restricted funds</b>	<b>4,928</b>	<b>5,165</b>
<b>Total unrestricted cash and cash equivalents</b>	<b>29,764</b>	<b>27,577</b>
<b>Intended allocations</b>		
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:		
- cash held to fund carried forward capital works	9,035	5,516
- Conditional grants unspent (note 3.4(c))	1,482	1,997
<b>Total funds subject to intended allocations</b>	<b>10,517</b>	<b>7,513</b>
Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of 90 days or less, net of outstanding bank overdrafts.		
<b>(b) Other financial assets</b>		
Term deposits - current	10,000	32,000
<b>Total other financial assets</b>	<b>10,000</b>	<b>32,000</b>
<b>Total financial assets (a) + (b)</b>	<b>44,692</b>	<b>64,742</b>

Other financial assets are valued at fair value, at balance date. Term deposits are measured at original cost. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.

## Note 5 Our financial position (ctd)

5.1 Financial assets	2020	2019
(c) Trade and other receivables	\$'000	\$'000
<b>Current</b>		
<i>Statutory receivables</i>		
Rates debtors	5,102	2,666
Infringement debtors	1,785	1,400
Provision for doubtful debts - infringements	(277)	(267)
Net GST receivable	2,230	1,748
<i>Non-statutory receivables</i>		
Other debtors	6,007	2,192
Provision for doubtful debts - other debtors	(19)	(18)
<b>Total trade and other receivables</b>	<b>14,828</b>	<b>7,721</b>

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

COVID-19 Disclosure - Rates debtors year end balance is high compared to prior year due to flexibility Council afforded to its ratepayers (no penalty interest and no referral of outstanding debts to formal debt collectors). Council has a high level of assurance on future collectability of these balances. The 30 June 2020 balance for Other debtors is influenced by \$4.5 million grant funding from the Federal Government for the construction of the New Shepparton Art Museum building (which has subsequently been paid post 30 June 2020). Council will continue to monitor Sundry Debtors and reports monthly on outstanding balances.

**(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)	5,429	1,906
Past due by up to 30 days	335	153
Past due between 31 and 180 days	72	34
Past due between 181 and 365 days	122	17
Past due by more than 1 year	49	82
<b>Total trade and other receivables</b>	<b>6,007</b>	<b>2,192</b>

**(e) Provision for doubtful debts**

At balance date, other debtors included sundry debtors with a nominal value of \$6,006,513 (2019: \$2,192,075). In determining the value of the provision for doubtful debts required, an expected credit loss model was used, incorporating a combination of historical trends, knowledge of individual issues and forward-looking expected losses. The amount of the provision raised against these debtors was \$18,675 (2019: \$18,085). Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

COVID-19 Disclosure - excluding one-off items, year end sundry debtor balances have not escalated above 2019 levels. When using the expected credit loss model, in addition to 'base expectations', Council has also applied to debts greater than 30 days outstanding a factor of between 0.5% to 2.0% (greater than 90 days) in consideration of potential economic impacts of prolonged restrictions due to COVID-19. For Parking Infringements (Tickets issued, penalty reminder notices issued and final notices) a factor of 4.5% has been applied.

<b>5.2 Non-financial assets</b>	<b>2020</b>	<b>2019</b>
<b>(a) Inventories</b>	<b>\$'000</b>	<b>\$'000</b>
Inventories held for distribution	89	107
<b>Total inventories</b>	<b>89</b>	<b>107</b>

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. All other inventories, including land held for sale, are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

<b>(b) Other assets</b>		
Prepayments	1,088	899
Accrued income	171	798
Other	-	1
<b>Total other assets</b>	<b>1,259</b>	<b>1,698</b>

<b>(c) Intangible assets</b>		
Landfill air space	32,276	-
<b>Total intangible assets</b>	<b>32,276</b>	<b>-</b>

	<b>Landfill \$'000</b>	<b>Total \$'000</b>
<b>Gross carrying amount</b>		
Balance at 1 July 2019	-	-
Additions from internal developments	32,276	32,276
Other additions	-	-
<b>Balance at 1 July 2020</b>	<b>32,276</b>	<b>32,276</b>
<b>Accumulated amortisation and impairment</b>		
Balance at 1 July 2019	-	-
Amortisation expense	-	-
Balance at 1 July 2020	-	-
Net book value at 30 June 2019	-	-
Net book value at 30 June 2020	<b>32,276</b>	<b>32,276</b>

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.

Cosgrove 2 landfill provision was fully expensed based on the expected remaining operational life at the time of original provision recognition in 2014/15. As a result there are no opening balance for intangible assets for landfill at 1 July 2019.

Cosgrove 3 landfill opened late in 2019/20 and the provision and intangible asset were booked up as part of the 30 June 2020 calculations. Amortisation will be calculated from 2020/21.

5.3 Payables	2020	2019
(a) Trade and other payables	\$'000	\$'000
Trade payables	2,907	2,497
Prepaid income	44	142
Accrued expenses	15,714	8,959
Other payables	1,882	1,881
<b>Total trade and other payables</b>	<b>20,547</b>	<b>13,479</b>

2019 Trade payables, Accrued expenses and Other payables balances have been restated to correct the allocated split of these trade and other payable types for consistency. 2019 Total trade and other payables remains unchanged. 2020 accrued expenses include \$4.5m in New SAM accruals for works completed but not yet invoiced at 30 June 2020.

COVID-19 Disclosure - creditor balances are assessed as not having been materially impacted by COVID-19. With the majority of Council suppliers being local, small to medium enterprises, a concerted effort has been made to pay suppliers quicker than the standard 30 day payment terms.

#### (b) Trust funds and deposits

Refundable deposits	1,888	2,147
Fire services levy	391	257
Retention amounts	461	401
<b>Total trust funds and deposits</b>	<b>2,740</b>	<b>2,805</b>

#### (c) Unearned income

Grants received in advance - operating	1,000	-
Grants received in advance - capital	317	-
<b>Total unearned income</b>	<b>1,317</b>	<b>-</b>

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

Unearned income are amounts received where performance obligations have not yet been met. Council had four grants received that have performance obligations outstanding for Murchison Neighbourhood House (\$100k), MOVE Project (\$900k), Sir Murray Bouchier memorial (\$141k) and Australian Botanic Gardens Water Supply (\$176k)

#### Purpose and nature of items

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

Retention Amounts and refundable deposits - 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.

#### 5.4 Interest-bearing liabilities

##### Current

Borrowings - secured	1,613	1,429
	<b>1,613</b>	<b>1,429</b>

##### Non-current

Borrowings - secured	13,973	15,641
	<b>13,973</b>	<b>15,641</b>

##### Total

	<b>15,586</b>	<b>17,070</b>
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Borrowings are secured by general rates as per the *Local Government Act 1989* Section 148 (1)(a)

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

Not later than one year	1,613	1,429
Later than one year and not later than five years	9,101	6,484
Later than five years	4,872	9,157
	<b>15,586</b>	<b>17,070</b>

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

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

## 5.5 Provisions

	Employee \$ '000	Landfill restoration \$ '000	Total \$ '000
<b>2020</b>			
Balance at beginning of the financial year	11,123	7,211	18,334
Additional provisions	4,028	33,403	37,431
Amounts used	(2,941)	(55)	(2,996)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	133	927	1,060
<b>Balance at the end of the financial year</b>	<b>12,343</b>	<b>41,486</b>	<b>53,829</b>
<b>2019</b>			
Balance at beginning of the financial year	10,192	6,137	16,329
Additional provisions	4,620	1,631	6,251
Amounts used	(4,101)	(556)	(4,657)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	412	(1)	411
<b>Balance at the end of the financial year</b>	<b>11,123</b>	<b>7,211</b>	<b>18,334</b>

(a) Employee provisions	2020 \$'000	2019 \$'000
<b>Current provisions expected to be wholly settled within 12 months</b>		
Annual leave	3,183	2,784
Long service leave	1,106	957
	<b>4,289</b>	<b>3,741</b>
<b>Current provisions expected to be wholly settled after 12 months</b>		
Annual leave	1,071	689
Long service leave	5,529	5,252
	<b>6,600</b>	<b>5,941</b>
<b>Total current employee provisions</b>	<b>10,889</b>	<b>9,682</b>
<b>Non-current</b>		
Long service leave	1,454	1,441
<b>Total non-current employee provisions</b>	<b>1,454</b>	<b>1,441</b>
Aggregate carrying amount of employee provisions:		
Current	10,889	9,682
Non-current	1,454	1,441
<b>Total aggregate carrying amount of employee provisions</b>	<b>12,343</b>	<b>11,123</b>

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

*Wages and salaries and annual leave*

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

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

**5.5 Provisions (ctd)****(a) Employee provisions (ctd)***Long service leave*

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

## Key assumptions:

- discount rate	0.872%	1.340%
- index rate	1.500%	1.500%

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(b) Landfill restoration</b>		
Current	3,514	80
Non-current	37,972	7,131
<b>Total landfill restoration</b>	<b>41,486</b>	<b>7,211</b>

Council is obligated to restore the Cosgrove landfill site to a particular standard. The forecast life of the site is based on current estimates of remaining capacity and the forecast rate of infill. The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to reinstate the site 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.

## Key assumptions:

- discount rate	0.24% - 1.72%	0.96% - 1.92%
- index rate	2.20%	1.30%
- estimated cost to rehabilitate	34,179	7,452

*Landfill*

Cosgrove 3 landfill opened late in 2019/20. The rehabilitation and aftercare provision was booked at the value of \$32.28m

**5.6 Financing arrangements**

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

Bank guarantees	200	200
Credit card facilities	100	100
Interest bearing loans	17,586	19,070
<b>Total facilities</b>	<b>17,886</b>	<b>19,370</b>

*Used facilities*

Bank guarantees	30	30
Credit card facilities	16	20
Interest bearing loans	15,586	17,070
<b>Total used facilities</b>	<b>15,632</b>	<b>17,120</b>
<b>Total Unused facilities</b>	<b>2,254</b>	<b>2,250</b>

2019 Interest bearing loans has been restated. At the prior period balance date, 30 June 2019, a \$2.0m unused loan facility (redraw) was available to Council, which was not represented in Council's 2019 Financial Statements.

**5.7 Commitments**

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

2020	Not later than	Later than 1	Later than 2	Later than 5	Total
	1 year	year and not later than 2 years	years and not later than 5 years		
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating</b>					
Kerbside collection and disposal	6,205	6,329	6,456	-	18,991
Open space management	281	290	430	-	1,001
Operational supplies and services	2,831	1,915	1,857	290	6,893
Home care services	250	-	-	-	250
Cleaning contracts for council buildings	489	-	-	-	489
<b>Total</b>	<b>10,056</b>	<b>8,534</b>	<b>8,743</b>	<b>290</b>	<b>27,623</b>
<b>Capital</b>					
Buildings	16,555	-	-	-	16,555
Waste	125	-	-	-	125
Other	4,490	-	-	-	4,490
<b>Total</b>	<b>21,171</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,171</b>
<hr/>					
2019	Not later than	Later than 1	Later than 2	Later than 5	Total
	1 year	year and not later than 2 years	years and not later than 5 years		
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating</b>					
Kerbside collection and disposal	5,594	5,594	12,282	-	23,470
Open space management	374	387	817	-	1,578
Operational supplies and services	1,903	1,496	1,652	-	5,051
Home care services	268	-	-	-	268
Cleaning contracts for council buildings	476	488	-	-	964
<b>Total</b>	<b>8,615</b>	<b>7,965</b>	<b>14,751</b>	<b>-</b>	<b>31,331</b>
<b>Capital</b>					
Buildings	36,252	8,067	-	-	44,319
Roads	3,784	-	-	-	3,784
Waste	70	-	-	-	70
Other	201	98	304	-	603
<b>Total</b>	<b>40,307</b>	<b>8,165</b>	<b>304</b>	<b>-</b>	<b>48,776</b>

**5.8 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.



**5.8 Leases (ctd)****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.

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.

<b>Right-of-Use Assets</b>	Property \$'000	Vehicles \$'000	Other \$'000	Total \$'000
Balance at 1 July	85	432	51	568
Additions	-	736	-	736
Amortisation charge	(51)	(296)	(23)	(370)
<b>Balance at 30 June 2020</b>	<b>34</b>	<b>872</b>	<b>28</b>	<b>934</b>
<b>Lease Liabilities</b>	<b>2020</b>			
Maturity analysis - contractual undiscounted cash flows	\$'000			
Less than one year	288			
One to five years	661			
<b>Total undiscounted lease liabilities as at 30 June 2020</b>	<b>949</b>			
Lease liabilities included in the Balance Sheet at 30 June 2020:				
Current	288			
Non-current	661			
<b>Total lease liabilities</b>	<b>949</b>			

**5.8 Leases (ctd)****Short-term and low value leases**

Council has elected not to recognise right-of-use assets and lease liabilities for short-term leases 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 \$'000
<b>Expenses relating to:</b>	
Short-term leases	27
Leases of low value	84
<b>Total</b>	<b>111</b>
Variable lease payments (not included in measurement of lease liabilities)	-

**Non-cancellable lease commitments - Short-term and low value leases**

Commitments for minimum lease payments for short-term and low value leases are payable as follows:

Payable:	
Within one year	119
Later than one year but not later than five years	338
<b>Total lease commitments</b>	<b>457</b>

**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*

- 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.

**Impact on financial statements**

On transition to *AASB 16 Leases*, Council recognised an additional \$567,884 of right-of-use assets and \$567,884 of lease liabilities, recognising the difference in retained earnings.

When measuring lease liabilities, Council discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 3.3%.

	2019 \$'000
Operating lease commitment at 30 June 2019 as disclosed in Council's financial statements	885
Less Recognition exemption for short-term leases	(57)
Less Recognition exemption for leases of low value	(235)
Revised Operating lease commitment at 30 June 2019 as disclosed in Council's financial statements	593
Discounted using the incremental borrowing rate at 1 July 2019	(25)
<b>Lease liabilities recognised as at 1 July 2019</b>	<b>568</b>

Note 6 Assets we manage	2020	2019
6.1 Non-current assets classified as held for sale	\$'000	\$'000
Cost of acquisition	450	55
<b>Total non-current assets classified as held for sale</b>	<b>450</b>	<b>55</b>

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

## 6.2 Property, infrastructure, plant and equipment

## Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2019	Additions	Contributions	Revaluation	Depreciation	Disposal	Write-off	Transfers	At Fair Value 30 June 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property	78,771	124	74	-	(138)	(2)	-	974	79,803
Buildings	74,349	1,369	-	-	(1,855)	(14)	-	3,565	77,414
Plant and equipment	30,266	1,563	-	-	(2,296)	(218)	-	84	29,399
Infrastructure	829,916	15,766	11,581	55,844	(22,985)	(655)	-	25,189	914,656
Work in progress	42,828	49,818	-	-	-	-	(1,118)	(30,784)	60,744
	<b>1,056,130</b>	<b>68,640</b>	<b>11,655</b>	<b>55,844</b>	<b>(27,274)</b>	<b>(889)</b>	<b>(1,118)</b>	<b>(972)</b>	<b>1,162,016</b>

## Summary of Work in Progress

	Opening WIP	Additions	Write-off	Transfers	Closing WIP
	\$'000	\$'000	\$'000	\$'000	\$'000
Property	8,010	33,656	(19)	(1,429)	40,218
Plant and equipment	1,204	3,334	-	(128)	4,410
Infrastructure	33,614	12,828	(1,099)	(29,227)	16,116
<b>Total</b>	<b>42,828</b>	<b>49,818</b>	<b>(1,118)</b>	<b>(30,784)</b>	<b>60,744</b>

Work in progress balance is largely impacted by the construction of New SAM building still in progress (\$35m).

## 6.2 Property, infrastructure, plant and equipment (ctd)

## (a) Property

	Land - specialised	Land - non-specialised	Land improvements	Total Land & Land Improvements	Heritage buildings	Buildings - specialised	Total Buildings	Work In Progress	Total Property
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2019	26,521	44,445	8,861	79,827	34,987	89,160	124,147	8,010	211,984
Accumulated depreciation at 1 July 2019	-	-	(1,056)	(1,056)	(14,074)	(35,724)	(49,798)	-	(50,854)
	26,521	44,445	7,805	78,771	20,913	53,436	74,349	8,010	161,130
<b>Movements in fair value</b>									
Additions	-	20	104	124	1,018	351	1,369	33,656	35,149
Contributions	66	-	8	74	-	-	-	-	74
Revaluation	-	-	-	-	-	-	-	-	-
Disposal	-	-	(2)	(2)	(11)	(142)	(153)	-	(155)
Write-off	-	-	-	-	-	-	-	(19)	(19)
Transfers	-	1,515	(712)	803	(6,011)	7,634	1,623	(1,429)	997
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-
	66	1,535	(602)	999	(5,004)	7,843	2,839	32,208	36,046
<b>Movements in accumulated depreciation</b>									
Depreciation and amortisation	-	-	(138)	(138)	(536)	(1,319)	(1,855)	-	(1,993)
Accumulated depreciation of disposals	-	-	-	-	1	138	139	-	139
Revaluation	-	-	-	-	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-
Transfers	-	-	171	171	2,629	(687)	1,942	-	2,113
	-	-	33	33	2,094	(1,868)	226	-	259
At fair value 30 June 2020	26,587	45,980	8,259	80,826	29,983	97,003	126,986	40,218	248,030
Accumulated depreciation at 30 June 2020	-	-	(1,023)	(1,023)	(11,980)	(37,592)	(49,572)	-	(50,595)
	26,587	45,980	7,236	79,803	18,003	59,411	77,414	40,218	197,435

6.2 Property, infrastructure, plant and equipment (ctd)  
(b) Plant and Equipment

	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Work in progress	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2019	16,694	25,152	7,445	1,204	50,495
Accumulated depreciation at 1 July 2019	(8,292)	(4,822)	(5,911)	-	(19,025)
	8,402	20,330	1,534	1,204	31,470
<b>Movements in fair value</b>					
Additions	1,315	116	132	3,334	4,897
Contributions	-	-	-	-	-
Revaluation	-	-	-	-	-
Disposal	(1,757)	(3,190)	(5,632)	-	(10,579)
Write-off	-	-	-	-	-
Transfers	(84)	336	78	(128)	202
Impairment losses recognised in operating result	-	-	-	-	-
	(526)	(2,738)	(5,422)	3,206	(5,480)
<b>Movements in accumulated depreciation</b>					
Depreciation and amortisation	(1,624)	(284)	(388)	-	(2,296)
Accumulated depreciation of disposals	1,538	3,190	5,633	-	10,361
Impairment losses recognised in operating result	-	-	-	-	-
Transfers	18	(266)	2	-	(246)
	(68)	2,640	5,247	-	7,819
At fair value 30 June 2020	16,168	22,414	2,023	4,410	45,015
Accumulated depreciation at 30 June 2020	(8,360)	(2,182)	(664)	-	(11,206)
	7,808	20,232	1,359	4,410	33,809

6.2 Property, infrastructure, plant and equipment (ctd)  
(c) Infrastructure

	Roads	Bridges	Footpaths and cycleways	Drainage	Recreational, leisure and community	Waste Management	Parks open spaces and streetscapes	Aerodromes	Off street car parks	Other Infrastructure	Work In Progress	Total Infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2019	647,065	22,884	77,647	180,169	148,906	9,417	52,752	8,332	12,315	13,196	33,614	1,206,297
Accumulated depreciation at 1 July 2019	(175,980)	(8,610)	(23,018)	(63,101)	(55,475)	(3,270)	(6,419)	(310)	(1,276)	(5,308)	-	(342,767)
	471,085	14,274	54,629	117,068	93,431	6,147	46,333	8,022	11,039	7,888	33,614	863,530
<b>Movements in fair value</b>												
Additions	14,623	-	123	138	218	252	47	-	-	365	12,828	28,594
Contributions	6,072	-	1,801	2,911	-	-	699	-	-	98	-	11,581
Revaluation	91,155	-	5,518	(361)	803	92	894	-	250	(285)	-	98,066
Disposal	(26)	-	(16)	(514)	(451)	-	(50)	-	(4)	(115)	-	(1,176)
Write-off	-	-	-	-	-	-	-	-	-	-	(1,099)	(1,099)
Transfers	1,236	(1,098)	(458)	(354)	3,608	22,829	357	-	12	925	(29,227)	(2,170)
	113,060	(1,098)	6,968	1,820	4,178	23,173	1,947	-	258	988	(17,498)	133,796
<b>Movements in accumulated depreciation</b>												
Depreciation and amortisation	(14,517)	(240)	(1,237)	(2,058)	(3,104)	(547)	(573)	(35)	(75)	(599)	-	(22,985)
Accumulated depreciation of disposals	14	-	7	184	248	-	15	-	3	50	-	521
Revaluation	(41,538)	-	(1,225)	1,714	(239)	(21)	(425)	-	(89)	(399)	-	(42,222)
Transfers	57	955	122	392	(3,506)	(67)	(85)	-	253	11	-	(1,868)
	(55,984)	715	(2,333)	232	(6,601)	(635)	(1,068)	(35)	92	(937)	-	(66,554)
At fair value 30 June 2020	760,125	21,786	84,615	181,989	153,084	32,590	54,699	8,332	12,573	14,184	16,116	1,340,093
Accumulated depreciation at 30 June 2020	(231,964)	(7,895)	(25,351)	(62,869)	(62,076)	(3,905)	(7,487)	(345)	(1,184)	(6,245)	-	(409,321)
	528,161	13,891	59,264	119,120	91,008	28,685	47,212	7,987	11,389	7,939	16,116	930,772

**6.2 Property, infrastructure, plant and equipment (ctd)***Acquisition*

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

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

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

	Depreciation Period	Threshold Limit \$'000
<i>Asset recognition thresholds and depreciation periods</i>		
Land & land improvements		
land	-	1
land improvements	15 - 60 years	10,000
land under roads	-	1
Buildings		
buildings	10 - 100 years	5,000
Heritage assets		
heritage assets	10 - 100 years	5,000
Plant and equipment		
plant, machinery and equipment	2 - 10 years	500
furniture, equipment and computers	2 - 13 years	1,500
art collection and civic regalia	-	3,000
Roads		
roads - surface and seal	12 - 60 years	20,000
spray seal	-	500m2
asphalt	-	150m2
concrete	-	55m2
road pavement	53 - 60 years	290m2
roads - kerb, channel and minor culverts	60 - 90 years	1
Bridges and major culverts	40 - 100 years	1
Footpaths and cycleways		
footpaths	10 - 70 years	1
bike paths	10 - 70 years	1
Drainage	50 - 90 years	1
Other infrastructure		
naturestrip trees	50 years	1
regulatory signs	7 - 35 years	1
street furniture	5 - 50 years	1

*Land under roads*

Council recognises land under roads it controls at fair value.

*Depreciation and amortisation*

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

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

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

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

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

*Repairs and maintenance*

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



**6.2 Property, infrastructure, plant and equipment (ctd)****Valuation of land and buildings**

Valuation of land and buildings were undertaken by a qualified independent valuer LG Valuations (Principal Marcus Hann, Valuer No. 62901). The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

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

Any significant movements in the unobservable inputs for land and land under roads will have a significant impact on the fair value of these. The date of the current valuation is detailed in the following table. A full revaluation of these assets will be conducted in 2020/21.

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

	\$'000	\$'000	\$'000	
	Level 1	Level 2	Level 3	Date of Valuation
Land	-	45,980	-	January 2018
Specialised land	-	-	26,587	January 2018
Land improvements	-	-	7,236	January 2018
Heritage buildings	-	-	18,003	January 2018
Buildings	-	-	59,411	January 2018
<b>Total</b>	<b>-</b>	<b>45,980</b>	<b>111,237</b>	

**Valuation of infrastructure**

Valuation of infrastructure assets has been determined in accordance with an internal valuation undertaken by Team Leader Strategic Assets (Bachelor Technology Civil Engineering).

The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

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

	\$'000	\$'000	\$'000	
	Level 1	Level 2	Level 3	Date of Valuation
Roads	-	-	528,161	June 2020
Bridges	-	-	13,891	June 2018
Footpaths and cycleways	-	-	59,264	June 2020
Drainage	-	-	119,120	June 2020
Recreational, leisure and community facilities	-	-	91,008	June 2020
Waste management	-	-	28,685	June 2020
Parks, open space and streetscapes	-	-	47,212	June 2020
Aerodromes	-	-	7,987	June 2020
Off street car parks	-	-	11,389	June 2020
Other infrastructure	-	-	7,939	June 2020
<b>Total</b>	<b>-</b>	<b>-</b>	<b>914,656</b>	

COVID-19 Disclosure - Non-current asset values are not expected to be materially impacted by COVID-19 as at 30 June 2020. Formal revaluations were undertaken for Infrastructure assets during 2019/20 (Roads, Footpaths, Drains) which were predominately based on unit rates from Developer gifted assets and largely immune to the impacts of COVID-19. Infrastructure asset values are not considered to be impaired due to COVID-19. Land and Building valuations have been assessed as not materially impaired as Council buildings are not income generating assets that are likely to have been impacted by COVID-19.

**6.2 Property, infrastructure, plant and equipment (ctd)****Description of significant unobservable inputs into level 3 valuations**

**Specialised land and land under roads** is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 75% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$0.05 and \$899.73 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 are calculated on a square metre basis and ranges from \$35 to \$16,500 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 20 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

**Infrastructure assets** are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 5 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	2020	2019
	\$'000	\$'000
<b>Reconciliation of specialised land</b>		
Land under roads	26,587	26,521
<b>Total specialised land</b>	<u>26,587</u>	<u>26,521</u>

<b>6.3 Investments in associates</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Investments in associates</b>		
- Goulburn Valley Regional Library Corporation (GVRLC)	1,447	1,393
<b>Fair value of Council's investment in Goulburn Valley Regional Library Corporation (GVRLC)</b>	<b>1,447</b>	<b>1,393</b>
<b>Goulburn Valley Regional Library Corporation (GVRLC)</b>		
<i>Background</i>		
The Goulburn Valley Regional Library Corporation is an entity which has been established to serve three northern Victorian councils; the Greater Shepparton City Council, Moira Shire Council and Strathbogie Shire Council. Each Council has two committee representatives on the Board of Directors.		
Each Member Council contributes financially to the operation of the Corporation based on the ratio of their population base. Contribution payments are considered a 'fee for service' on a commercial basis and are relative to the services the Corporation provides. The amount of financial contribution does not bring with it any additional voting rights or influence on the library activities and therefore no greater power or control.		
<b>Council's share of accumulated surplus/(deficit)</b>		
Council's share of accumulated surplus/(deficit) at start of year	(387)	(322)
Reported surplus/(deficit) for year	54	(65)
Council's share of accumulated surplus/(deficit) at end of year	<b>(333)</b>	<b>(387)</b>
<b>Council's share of reserves</b>		
Council's share of reserves at start of year	1,780	1,780
Council's share of reserves at end of year	<b>1,780</b>	<b>1,780</b>
<b>Movement in carrying value of specific investment</b>		
Carrying value of investment at start of year	1,393	1,457
Share of surplus/(deficit) for year	54	(65)
% share of equity adjustment	-	1
Carrying value of investment at end of year	<b>1,447</b>	<b>1,393</b>

Associates are all entities over which Council has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

**Note 7 People and relationships****7.1 Council and key management remuneration****(a) Related Parties***Parent entity*

Greater Shepparton City Council is the parent entity.

*Subsidiaries and Associates*

Interests in subsidiaries and 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 are:

<b>Councillors</b>	Councillor Seema Abdullah (Mayor - Nov to Jun)		
	Councillor Kim O'Keeffe (Mayor - Jul to Oct)		
	Councillor Dinny Adem		
	Councillor Bruce Giovanetti		
	Councillor Chris Hazelman		
	Councillor Les Oroszvary		
	Councillor Dennis Patterson		
	Councillor Fern Summer		
	Councillor Shelley Sutton		
<b>Executive Management</b>	Chief Executive Officer		
	Director - Community		
	Director - Corporate Services		
	Director - Infrastructure	<b>2020</b>	<b>2019</b>
	Director - Sustainable Development	<b>No.</b>	<b>No.</b>

**Total Number of Councillors**

9

**Total of Chief Executive Officer and other Key Management Personnel**

5

**Total Number of Key Management Personnel****14****(c) Remuneration of Key Management Personnel**

Total remuneration of key management personnel was as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Short-term benefits	1,404	1,391
Long-term benefits	20	27
Post employment benefits	135	132
<b>Total</b>	<b>1,559</b>	<b>1,550</b>

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

	<b>2020</b>	<b>2019</b>
	<b>No.</b>	<b>No.</b>
\$20,000 - \$29,999	7	8
\$40,000 - \$49,999	1	-
\$60,000 - \$69,999	1	-
\$80,000 - \$89,999	-	1
\$210,000 - \$219,999	-	3
\$220,000 - \$229,999	2	1
\$230,000 - \$239,999	2	-
\$320,000 - \$329,999	-	1
\$330,000 - \$339,999	1	-
	<b>14</b>	<b>14</b>

**(d) Senior Officer Remuneration**

A Senior Officer is an officer of Council, other than Key Management Personnel, who:

- has management responsibilities and reports directly to the Chief Executive; or
- whose total annual remuneration exceeds \$151,000

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

	<b>2020</b>	<b>2019</b>
	<b>No.</b>	<b>No.</b>
Income Range:		
\$148,000 - \$149,999	-	2
\$150,000 - \$159,999	2	8
\$160,000 - \$169,999	4	-
\$170,000 - \$179,999	-	1
\$180,000 - \$189,999	1	-
	<b>7</b>	<b>11</b>

Total Remuneration for the reporting year for Senior Officers included above, amounted to \$'000:

1,153

1,706

7.2 Related party disclosure	2020	2019
(a) Transactions with related parties	\$'000	\$'000
During the period Council entered into the following transactions with related parties.		
<i>Payments to Goulburn Valley Regional Library Corporation</i>	1,660	1,618
Annual fees paid for provision of library services to the Council. Library services were provided to Shepparton, Mooroopna and Tatura townships, whilst a mobile library serviced nine additional towns within the municipality of the Greater Shepparton City Council.		
<i>Receipts from Goulburn Valley Regional Library Corporation</i>	67	67
Annual fees received for provision of financial and human resource services, being accounts payable, accounts receivable, asset management, treasury, financial reporting and payroll services.		
During the period Council entered into the following other related party transactions:		
<sup>2,3,4,5,6</sup> Payments to entities controlled by key management personnel	504	128
<sup>1</sup> Payments to entities or persons influenced by key management personnel	2	-
<sup>7,9,10,11,12</sup> Receipts from entities controlled by key management personnel	279	58
<sup>8</sup> Receipts from entities or persons influenced by key management personnel	-	-
1	Payment of \$2,160 to Tallygaroopna Recreation Reserve Committee of Management for a grant and movie night (Cr Hazelman has an interest) of which \$2,050 was unpaid and outstanding at 30 June 2020.	
2	Payment of \$48,070 to GM Community Leadership Program for various course fees (Cr Hazelman has an interest).	
3	Payment of \$400 to AFL Goulburn Murray for goods (Director Sustainable Development has an interest).	
4	Payment of \$112,576 to SAM Ltd for the transfer of employee entitlements from council to the new entity (CEO and Director Corporate Services have an interest).	
5	The Council made payments to publicly listed companies Woolworths \$42,643 and Telstra \$62,706 for goods and services. The CEO holds shares in these companies.	
6	Payment of \$37,766 to Goulburn Valley Waste and Resource Recovery Group (Cr Abdullah has an interest).	
7	Receipt of \$50 from Shepparton Harness Racing (Cr Hazelman has an interest).	
8	Receipt of \$73 from Tallygaroopna Recreation Reserve Committee of Management for Community Liability Premiums.	
9	Receipt of \$15,636 from AFL Goulburn Murray for utility and rental invoices (Director Sustainable Development has an interest) of which \$970 was outstanding at 30 June 2020.	
10	Receipt of \$200,000 from SAM Ltd for a contribution towards the new SAM building (CEO and Director Corporate Services have interest).	
11	Receipt of \$62,811 from Goulburn Valley Waste and Resource Recovery Group for administration fees and business centre hire (Cr Abdullah has an interest).	
12	Receipt of \$151 from Pakistani Association of Goulburn Valley for hire of Shepparton Senior Citizens Centre (Cr Abdullah has an interest).	

7.2 Related party disclosure (ctd)	2020	2019
(a) Transactions with related parties (ctd)	\$'000	\$'000

Any close family member of key management personnel are employed through an arm's length process. They are paid in accordance with the award for the job they perform. Council employs permanent, part-time and casual staff of which four were close family members of key management personnel.

There were no other transactions declared or discovered from any other area of council to disclose.

**(b) Outstanding balances with related parties**

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties.

<sup>1,2</sup> Outstanding payments to entities controlled by key management personnel	127	-
<sup>3</sup> Outstanding receipts from entities controlled by key management personnel	1	-

1 Payment of \$2,160 to Tallygaroopna Recreation Reserve Committee of Management for a grant and movie night (Cr Hazelman has an interest) of which \$2,050 was unpaid and outstanding at 30 June 2020.

2 The Council made payments to publicly listed companies Woolworths \$42,643 of which \$616 was outstanding and Telstra \$262,706 of which \$124,450 was outstanding at 30 June 2020. The CEO holds shares in these companies.

3 Receipt of \$15,636 from AFL Goulburn Murray for utility and rental invoices (Director Sustainable Development has an interest) of which \$970 was outstanding at 30 June 2020.

**(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**

The aggregate amount of commitments in existence at balance date that have been made, guaranteed or secured by the council to a related party are as follows:

- 1 Provision of flu vaccinations to Goulburn Valley Regional Library Corporation (GVRLC) staff by Greater Shepparton City Council (GSCC).
- 2 MOU for provision of administrative services and payment of Admin fees between GSCC and GVRLC.
- 3 GSCC is committed to paying the annual contributions to GVRLC.
- 4 GSCC is committed to paying an annual contribution to Shepparton Art Museum (SAM) limited.

**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.

**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.

**Liability Mutual Insurance**

Council is a participant of the MAV Liability Mutual Insurance (LMI) Scheme. The LMI scheme provides public liability and professional indemnity insurance cover. The LMI scheme states that each participant will remain liable to make further contributions to the scheme in respect of any insurance year in which it was a participant to the extent of its participant's share of any shortfall in the provision set aside in respect of that insurance year, and such liability will continue whether or not the participant remains a participant in future insurance years.

**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**

The Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables), lease liabilities, 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.

### 8.3 Financial instruments (ctd)

#### (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 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 receivables from sporting clubs and associations. To help manage this risk:

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

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

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

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

#### (d) Liquidity risk

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

To help reduce these risks Council:

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

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

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

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

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

#### (e) Sensitivity disclosure analysis

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

- A parallel shift of + 0.00% and -0.25% in market interest rates (AUD) from year-end rates of 0.85%.

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



#### 8.4 Fair value measurement

##### *Fair value hierarchy*

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

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

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

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

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

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

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

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

##### *Revaluation*

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 3 to 5 years. The valuation is performed either by experienced council officers or independent experts.

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

##### *Impairment of assets*

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

#### 8.5 Events occurring after balance date

On 2 August 2020 the Victorian State Government in response to COVID-19 imposed stage 3 restrictions on regional Victoria from Thursday 6 August 2020.

In response Council closed a number of facilities such as Aquamoves, Sports Stadiums and Riverlinks and reverted some of its operations (such as customer service) back to remote or non-contact. No adjustments to balances are required as at 30 June 2020. The 2020/21 Adopted Budget (adopted 16 June 2020) assumed a continuation of restrictions experienced from late in the 2020 financial year through to the end of September 2020. All receivables and payables balances along with actual impacts on revenue and expenses and asset values are not expected to be further impacted by the announcement. Disclosures regarding COVID-19 have been made in the relevant notes to the statements.

## Note 9 Other matters

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
<b>9.1 Reserves</b>			
<b>(a) Asset revaluation reserves</b>			
<b>2020</b>			
<b>Property</b>			
Land - specialised	5,905	-	5,905
Land - non-specialised	5,657	-	5,657
Land and land improvements	1,390	-	1,390
Buildings	7,205	-	7,205
	<b>20,157</b>	<b>-</b>	<b>20,157</b>
<b>Plant and Equipment</b>			
Artwork and regalia	14,165	-	14,165
	<b>14,165</b>	<b>-</b>	<b>14,165</b>
<b>Infrastructure</b>			
Roads	409,837	49,617	459,454
Bridges	19,042	-	19,042
Footpaths and cycleways	52,702	4,293	56,995
Drainage	60,369	1,353	61,722
Recreational, leisure and community facilities	51,967	564	52,531
Waste management	394	71	465
Parks, open space and streetscapes	21,887	469	22,356
Aerodromes	2,271	-	2,271
Offstreet car parks	7,247	161	7,408
Other infrastructure	2,848	(684)	2,164
	<b>628,564</b>	<b>55,844</b>	<b>684,408</b>
<b>Total asset revaluation reserves</b>	<b>662,886</b>	<b>55,844</b>	<b>718,730</b>
<b>2019</b>			
<b>Property</b>			
Land - specialised	5,905	-	5,905
Land - non-specialised	5,657	-	5,657
Land Improvements	1,390	-	1,390
Buildings	7,205	-	7,205
	<b>20,157</b>	<b>-</b>	<b>20,157</b>
<b>Plant and Equipment</b>			
Artwork and regalia	14,165	-	14,165
	<b>14,165</b>	<b>-</b>	<b>14,165</b>
<b>Infrastructure</b>			
Roads	409,837	-	409,837
Bridges	19,042	-	19,042
Footpaths and cycleways	52,702	-	52,702
Drainage	60,369	-	60,369
Recreational, leisure and community facilities	51,967	-	51,967
Waste management	394	-	394
Parks, open space and streetscapes	21,887	-	21,887
Aerodromes	2,271	-	2,271
Offstreet car parks	7,247	-	7,247
Other infrastructure	2,848	-	2,848
	<b>628,564</b>	<b>-</b>	<b>628,564</b>
<b>Total asset revaluation reserves</b>	<b>662,886</b>	<b>-</b>	<b>662,886</b>

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

9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)	2020	2019
	\$'000	\$'000
Surplus/(deficit) for the year	82,865	24,852
Depreciation and amortisation	27,644	26,182
Profit/(loss) on disposal of property, infrastructure, plant and equipment	492	830
Finance costs	38	1,009
Borrowing costs	885	-
Assets written off	2,001	421
Bad debts	69	108
Share of net (profits) or loss of associates and joint ventures	(54)	65
Fair value adjustments for provisions	1,061	411
Contributions - Non-monetary assets	(11,655)	(9,187)
Fair value increases in IPP&E	(55,844)	-
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(7,176)	1,147
(Increase)/decrease in prepayments and other assets	45	(323)
Increase/(decrease) in trade and other payables	8,393	2,379
Increase/(decrease) in other liabilities	(65)	(31)
(Increase)/decrease in inventories	18	13
Increase/(decrease) in intangibles	(32,276)	-
Increase/(decrease) in employee provisions	1,087	519
Increase/(decrease) in landfill provisions	33,347	1,075
Net cash provided by/(used in) operating activities	<b>50,875</b>	<b>49,470</b>

### 9.3 Superannuation

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

#### Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2020, this was 9.5% as required under Superannuation Guarantee (SG) legislation).

#### Defined Benefit

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

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

#### Funding arrangements

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

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%. The financial assumptions used to calculate the VBIs were:

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

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

The VBI is 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.

**9.3 Superannuation (ctd)****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 2018/19). This rate is expected to increase in line with any increases in the SG contribution rate and 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 Council) are required to make an employer contribution to cover the shortfall.

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up.

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

**The 2019 interim actuarial investigation surplus amounts**

An actuarial investigation is conducted annually for the Defined Benefit category of which 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 the last full actuarial investigation was conducted as at 30 June 2017.

The Fund's actuarial investigations identified the following for the Defined Benefit category of which Council is a contributing employer:

	<b>2019</b>	<b>2017</b>
	<b>\$m</b>	<b>\$m</b>
- A VBI Surplus	151.3	69.8
- A total service liability surplus	233.4	193.5
- A discounted accrued benefits surplus	256.7	228.8

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

## 9.3 Superannuation (ctd)

**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:

	<b>2020</b> Triennial investigation	<b>2017</b> Triennial investigation
Net investment return	5.6% pa	6.5% pa
Salary inflation	2.50 %pa for the first two years and 2.75%pa thereafter	3.5% pa
Price inflation	2.0% pa	2.5% pa

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

<b>Scheme</b>	<b>Type of Scheme</b>	<b>Rate</b>	<b>2020</b> <b>\$'000</b>	<b>2019</b> <b>\$'000</b>
Vision super	Defined benefit	9.50%	129	137
Other than Vision super	Defined benefit	9.50%	9	10
Vision super	Accumulation fund	9.50%	2,685	2,742
Other than Vision super	Accumulation fund	9.50%	1,604	1,509

There were \$126k 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 is \$124k.

**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.

	<b>2019</b>
	<b>\$'000</b>
Retained earnings at 30 June 2019	417,272
Revenue adjustment - impact of AASB 15 Revenue from Contracts with Customers	-
Income Adjustment - impact of AASB 1058 Income of Not-for-Profit Entities	-
<b>Retained earnings at 1 July 2019</b>	<b>417,272</b>

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.

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
<b>Assets</b>			
Right of use assets	-	568	568
Grants receivable	-	-	-
	<b>-</b>	<b>568</b>	<b>568</b>
<b>Liabilities</b>			
Unearned income - operating grants	-	-	-
Unearned income - capital grants	-	-	-
Lease liability - current	-	242	242
Lease liability - non-current	-	326	326
	<b>-</b>	<b>568</b>	<b>568</b>