

10 FINANCIAL REPORT AND PERFORMANCE STATEMENT

FILE REFERENCE INT1969557

RESPONSIBLE GENERAL MANAGER Tom McQualter

AUTHOR Scott Moore

RECOMMENDATION

That:

1. Pursuant to Section 132(2) of the Local Government Act 1989, Council gives its approval in principle to the financial statements and performance statement for the year ended 30 June 2019, subject to any changes recommended or agreed to by the auditor;
2. Pursuant to Section 132(5) of the Local Government Act 1989, Council authorises Councillors Ray Brown and Brett Owen to certify the financial statements and performance statement for the year ended 30 June 2019, in their final form after any changes recommended or agreed by the auditor have been made, in accordance with the Local Government (Planning and Reporting) Regulations 2014; and
3. Scott Moore, Chief Finance Officer, is appointed as the Principal Accounting Officer for the purposes of Section 132(5b) of the Local Government Act 1989.

Attachments

- 1 Financial Report 51 Pages
- 2 Performance Statement 15 Pages

EXECUTIVE SUMMARY

To approve the Financial Statements and Performance Statement for the year ended 30 June 2019 and authorise Crs Ray Brown and Brett Owen as the Audit Committee representatives to sign the documents in their final form after any changes recommended or agreed to by the auditors have been made.

BACKGROUND

Council is required to prepare an Annual Report in respect to the financial year ended 30 June 2019. The *Local Government Act 1989* prescribes the information that must appear in the Annual Report, the process that the Council must undertake to prepare the report, the audit requirements and the process to be undertaken to adopt the report.

Council is required to authorise two councillors to approve the annual Financial Statements and Performance Statement in their final form after any changes recommended, or agreed to, by the Auditor have been made. It is recommended that the Audit Committee members Crs Ray Brown and Brett Owen be the councillors authorised to sign these documents.

The documents were considered by the by the Audit Committee at its meeting on 30 August 2019.

The documents (as part of the Council's Annual Report) will be lodged with the Minister for Local Government by 30 September 2019 as required by Section 133(1) of the *Local Government Act 1989*.

Section 133(2) of the *Local Government Act 1989* stipulates that after the annual report has been submitted to the Minister Council must give public notice that the annual report has been prepared and is available for inspection.

In addition, Section 134 of the *Local Government Act 1989* stipulates that Council must consider the annual report at a meeting that must be held as soon as practicable after the Council has sent the annual report to the Minister and must be advertised for at least 14 days before the meeting is held.

It is proposed to consider the annual report at the Council Meeting to be held on 21 October 2019 and appropriate public notification will be given.

DISCUSSION

Annual financial report

The Financial Statements are prepared in accordance with Australian Accounting Standards, the *Local Government Act 1989*, *Local Government (Planning and Reporting) Regulations 2014* and the Local Government Model Financial Report (LGMFR) published by Local Government Victoria as required by the Regulations.

The Financial Statements are a general purpose financial report comprising a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Capital Works and accompanying notes.

Comprehensive Income Statement

Council achieved a Surplus for the year of \$97.98 million before Net asset revaluation increment, compared to a budget of \$4.94 million and last year's surplus of \$87.14 million.

The vast majority of this Surplus is non-cash income of \$66.27 million, which relates to the value of roads, drains, bridges, land and land under roads contributed by developers undertaking residential developments within the Urban Growth Corridor. These contributed assets were unbudgeted in this financial year. Also included are capital grants of \$12.24 million and capital contributions - monetary of \$16.06 million, which do not cover operating expenses but relate to capital expenditure for non-current assets summarised in the Statement of Capital Works. This is further detailed below.

The material factors that contributed to the 2018/19 surplus included:

- *Rates and charges* income was \$1.64 million above budget due to: an increase in the number of rateable properties increasing general and supplementary rates income \$0.69 million; higher than expected garbage charges \$0.31 million from an increase in new services; interest on rates and charges \$0.73 million; less lower green waste charge income \$0.08 million due to a lower number of services than budgeted.
- *Statutory fees and fines* income was \$0.80 million above budget mainly due to: traffic enforcement revenue \$0.11 million above budget due to increased enforcement; building lodgement fee and development plan fee income \$0.32 million above budget due to increased development; and actual landscape development fees \$0.23 million included in this category but budgeted in Other Income.
- *Operating grant income* was \$3.33 million higher than budget mainly due to: higher than budgeted grants received \$1.60 million, including Victorian Grants Commission general purpose and local roads operating grants, Maternal & Child Health, Supported Parent

Groups & Playgroups and School Crossing Supervisor grants. Unbudgeted grant income of \$1.73 million was recognised, including for the bushfire recovery and the Safer Together program.

- *Capital grant income was \$7.62 million higher than budget mainly due to \$8.98 million of unbudgeted grants, including for Comely Banks Recreation Reserve, Gembrook Leisure Playspace & Skatepark, My Place youth facility expansion and Bunyip Rover Road Blackspot project. Partly offsetting this is lower than budgeted grant income of \$1.36 million due to timing of the receipt of the Lang Lang sporting facilities grant.*
- *Contributions (monetary) income exceeded budget by \$15.45 million due to increased community infrastructure, developer and public open space levy income earned from higher than expected levels of development activity.*
- *Contributions (non-monetary) income of \$66.27 million related to the value of roads, drains, bridges, land and land under roads contributed by developers was unbudgeted.*
- *Net gain on roads and off street car park asset revaluation of \$1.33 million was unbudgeted.*
- *Other income was \$3.65 million above budget due to interest on investments \$2.09 million higher than budget and \$1.38 million of cost recovery income for expenditure incurred unbudgeted.*
- *Employee costs were \$1.67 million higher than budget largely due to the impact of new positions approved during the year \$0.94 million and the financial effect of other staffing changes \$0.45 million.*
- *Materials and services expenditure was \$5.62 million over budget due to: \$4.47 million of funded capital works expensed upon not meeting asset capitalisation criteria; unbudgeted bushfire recovery expenditure \$2.45 million. These have been partly offset by contract expenditure which is under budget (by \$1.54m), primarily in recycling processing.*
- *Borrowing costs were \$1.85 million under budget mainly due to budgeted loan borrowings not being drawn down.*
- *Net loss on disposal of assets \$1.24 million, including old roads, buildings, bridges and footpaths, resulting from capital works undertaken during the year.*

Balance Sheet

Net assets at 30 June 2019 were \$804.91 million higher than budget (\$181.19 million higher than 2017/18), which maintains Council's strong financial position.

Total Cash, cash equivalents and other financial assets \$111.29 million exceeded budget by \$73.75 million (\$1.98 million higher than 2017/18), mainly due to a \$65.05 million better starting cash position at 1 July 2018 than forecast, together with higher than expected cash from operating activities during the year of \$41.71 million, less increased payments for property, infrastructure, plant and equipment of \$11.24 million (despite \$45.86 million capital carried over to 2019/20 - 2025/26) and less \$23.11 loan borrowings not drawn down.

Council's cash and term deposits are subject to external restrictions of \$58.21 million (Trust funds and deposits and Developer contribution levy) and \$75.33 million intended allocations (discretionary reserves, including capital carried forward, unspent grants and employee long service leave entitlement provisions, other reserves and s86 Committees).

External valuers, Westlink Consulting, performed a full annual revaluation of Council's land, excluding land under road, and buildings and experienced internal council valuers performed an

annual desktop review (unit rates) of infrastructure assets (full revaluation is every 3yrs) at 30 June 2019. These included the review of the carrying value of individual asset classes measured at fair value to ensure 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. This resulted in a net \$84.08 million non-current physical asset valuation increment for 2018/19, with \$82.75 million credited to the asset revaluation reserve and \$1.33 million recognised as income.

The land valuation resulted in land assets increasing by \$42.56 million, consistent with the average movement in market values of properties by suburb by observing sales prices in the municipality since the last valuation. Buildings increased by \$7.29 million due to changes in unit rates and construction date analysis.

Council assessed Road assets value movements by analysing the changes in unit costs to determine their overall depreciated replacement cost. This resulted in a revaluation increment of \$16.81 million.

The desktop assessment of Council's drainage assets based on depreciated replacement cost resulted in a valuation increment of \$10.13 million due to changes in unit rates based on average developer rates, bridges increased by \$3.71 million and recreational, leisure and community facilities increased by \$3.69 million.

Statement of Capital Works

Expenditure on capital works of \$60.01 million for the year was \$4.46 million above budget (\$19.50 million higher than 2017/18), mainly as a result of the unbudgeted acquisition of Gin Gin Bin Reserve \$4.0 million. It was predominantly funded internally by cash flows from operating activities. Asset renewal represented 15% of this expenditure, with upgrade 30% and new assets 55%.

Works already underway totalling \$45.86 million that are carried over to 2019/20 – 2025/26 for completion include: Deep Creek Reserve. Emerald Netball Pavilion/Courts, Cardinia Cultural Centre Exhibition Space, Bunyip Soccer Facility, Worrell Reserve Pavilion construction, Road resurfacing, Roads Sealing Program, Integrated Children's Facility Timbertop, Lang Lang Bypass, Hills Hub and Peet Street Special Charge Scheme construction.

Statement of Cash Flows

Council's cash and investments with original maturities of 90 days or less were \$49.29 million at 30 June 2019, compared to \$57.81 million in the prior year. This was due to the net impact of the following:

- Increased net cash from operating activities \$13.79 million mainly through higher inflows from all income sources except user fees, particularly rates and charges, grants and contributions (monetary);
- Increased net cash used in investing activities \$18.34 million mainly due to increased capital outflows;
- Reduced cash used in financing activities \$1.42 million; and
- Lower cash balance at the start of the year \$5.39 million.

At 30 June 2019 loan borrowings were \$37.16 million, after \$4.51 million scheduled principal repayments made during the year.

Performance Statement

The Local Government Performance Reporting Framework (LGPRF) is a mandatory reporting requirement under the Local Government (Planning and Reporting) Regulations 2014. The framework includes:

- Report of Operations: All service indicator results.
- The Performance Statement: A selection of service indicators and all financial and sustainability indicators. The Performance Statement is audited and is certified by two Councillors, the CEO and Principal Accounting Officer.
- Governance and Management Checklist: A list of 24 policies, plans, strategies and guidelines.

All performance results are reported in Council's Annual Report 2018/19 and published on the 'KnowYourCouncil' website.

Performance Statement

Four financial performance indicators recorded materially unfavourable variations.

Service Performance Indicator	2015/16	2016/17	2017/18	2018/19	Materiality threshold	Comment to be published in Annual Report
<i>Working capital</i>	239.28%	291.58%	350.97%	247.49%	+/- 10%	Current liabilities have increased at a higher rate (due a higher balance of trade and other payables and interest bearing loans and borrowings) than current assets.
<i>Unrestricted cash compared to current liabilities</i>	94.59%	48.04%	-8.79%	-50.41%	+/- 10%	Less unrestricted cash (higher negative balance) in 2018-19 due to higher capital carryovers and unspent grants. These amounts aren't included in the forecast years as they are unknown.
<i>Asset renewal compared to depreciation</i>	45.06%	31.54%	47.58%	40.95%	+/- 10%	Renewal expenditure is slightly lower in 2018-19 due to the nature of the capital works program, whilst depreciation expense has increased with the inclusion of new and contributed assets. When upgrade expenditure is included, as per VAGO's renewal gap financial sustainability risk indicator, the indicator is 121.60% for 2019.
<i>Adjusted underlying result</i>	3.88%	13.09%	7.94%	4.76%	+/- 10%	The decrease from 2018 to 2019 is mainly attributable to an increase in expenses (12%) at a higher rate than the increase in underlying revenue (8%). The main expense increases are employee costs (12%), materials and services (16%) and depreciation (7%).

One service performance indicator recorded a materially unfavourable variation:

Service Performance Indicator	2015/16	2016/17	2017/18	2018/19	Materiality threshold	Comment to be published in Annual Report
<i>Kerbside collection waste diverted from landfill</i>	46.05%	47.00%	47.62%	42.14%	+/- 10%	Lower diversion rate due to larger landfill volumes during recycling contractor facility closure.

Five financial performance indicators, Workforce Turnover, Loans and Borrowings, Loans and Borrowings Repayments, Indebtedness and Rates Effort, and two service measures, Maternal and

Child Health and Statutory Planning, have materially favourable variations while the remaining measures within the Performance Statement are all within materiality thresholds, with minor improvements or declines.

CONCLUSION

It is recommended that Council approve the Financial Statements and Performance Statement and authorise Councillors Ray Brown and Brett Owen to sign the documents in their final form.

**CARDINIA SHIRE COUNCIL
ANNUAL FINANCIAL REPORT**

For the Year Ended 30 June 2019

Financial Report Table of Contents

FINANCIAL REPORT		Page
Certification of the Financial Statements		1
Victorian Auditor-General's Office Report		2
 Financial Statements		
Comprehensive Income Statement		4
Balance Sheet		5
Statement of Changes in Equity		6
Statement of Cash Flows		7
Statement of Capital Works		8
 Overview		 9
 Notes to Financial Statements		
Note 1	Performance against budget	10
	1.1. Income and expenditure	10
	1.2. Capital works	12
Note 2	Analysis of Council results by program	14
Note 3	Funding for the delivery of our services	16
	3.1. Rates and charges	16
	3.2. Statutory fees and fines	16
	3.3. User fees	16
	3.4. Funding from other levels of government	17
	3.5. Contributions	19
	3.6. Net gain / (loss) on disposal of property, infrastructure, plant and equipment	19
	3.7. Other income	19
Note 4	The cost of delivering services	20
	4.1. Employee costs	20
	4.2. Materials and services	20
	4.3. Depreciation and amortisation	20
	4.4. Bad and doubtful debts	21
	4.5. Borrowing costs	21
	4.6. Other expenses	21
Note 5	Our financial position	22
	5.1. Financial assets	22
	5.2. Non-financial assets	24
	5.3. Payables	25
	5.4. Interest bearing liabilities	26
	5.5. Provisions	26
	5.6. Financing arrangements	27
	5.7. Commitments	28
Note 6	Assets we manage	29
	6.1. Non current assets classified as held for sale	29
	6.2. Property, infrastructure, plant and equipment	30
	6.3. Investments in associates	37
Note 7	People and relationships	38
	7.1. Council and key management remuneration	38
	7.2. Related party disclosures	40
Note 8	Managing uncertainties	41
	8.1. Contingent assets and liabilities	41
	8.2. Changes in accounting standards	42
	8.3. Financial instruments	43
	8.4. Fair value measurement	44
	8.5. Events occurring after balance date	44
Note 9	Other matters	45
	9.1. Reserves	45
	9.2. Reconciliation of cash flows from operating activities to surplus / (deficit)	47
	9.3. Superannuation	48

Cardinia Shire Council
2018/19 Financial Report

Certification of the Financial Statements

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

Scott Moore
Chief Finance Officer

Date : 16 September 2019
20 Siding Avenue, Officer

In our opinion the accompanying financial statements present fairly the financial transactions of Cardinia Shire Council for the year ended 30 June 2019 and the financial position of the Council as at that date.

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

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

Brett Owen
Councillor

Date : 16 September 2019
20 Siding Avenue, Officer

Ray Brown
Councillor

Date : 16 September 2019
20 Siding Avenue, Officer

Carol Jeffs
Chief Executive Officer

Date : 16 September 2019
20 Siding Avenue, Officer

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Cardinia Shire Council
2018/19 Financial Report

Comprehensive Income Statement For the Year Ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Income			
Rates and charges	3.1	90,910	84,181
Statutory fees and fines	3.2	5,269	4,638
User fees	3.3	3,120	3,532
Grants - operating	3.4 (a)	15,598	13,662
Grants - capital	3.4 (b)	12,241	11,123
Contributions - monetary	3.5 (a)	16,408	30,787
Contributions - non monetary	3.5 (a)	66,270	40,438
Net gain on asset revaluation	3.6 (b)	1,330	329
Other income	3.7	6,098	5,696
Total income		217,244	194,386
Expenses			
Employee costs	4.1 (a)	(37,462)	(33,481)
Materials and services	4.2	(52,378)	(45,242)
Bad and doubtful debts	4.4	(319)	(561)
Depreciation and amortisation	4.3	(22,207)	(20,847)
Borrowing costs	4.5	(2,595)	(2,937)
Contributions - non monetary	3.5 (b)	-	(860)
Net loss on disposal of property, infrastructure, plant and equipment	3.6 (a)	(1,236)	(1,441)
Share of net loss of associates	6.3	(203)	(62)
Other expenses	4.6	(2,865)	(1,812)
Total expenses		(119,265)	(107,243)
Surplus for the year		97,979	87,143
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment	9.1 (a)	82,751	133,444
Total comprehensive result		180,730	220,587

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

Cardinia Shire Council
2018/19 Financial Report

Balance Sheet
As at 30 June 2019

	Note	2019 \$'000	2018 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1 (a)	49,293	57,811
Trade and other receivables	5.1 (c)	21,247	21,047
Other financial assets	5.1 (b)	62,000	51,500
Inventories	5.2 (a)	15	26
Non-current assets classified as held for sale	6.1	2,768	-
Other assets	5.2 (b)	3,280	1,773
Total current assets		138,603	132,157
Non-current assets			
Trade and other receivables	5.1 (c)	5,549	11,483
Investments in associates	6.3	1,331	1,534
Property, infrastructure, plant and equipment	6.2 (a)	1,659,385	1,473,920
Intangible assets	5.2 (c)	684	587
Total non-current assets		1,666,949	1,487,524
Total assets		1,805,552	1,619,681
Liabilities			
Current liabilities			
Trade and other payables	5.3 (a)	24,124	15,264
Trust funds and deposits	5.3 (b)	12,178	11,060
Provisions	5.5 (a)	7,094	6,817
Interest bearing liabilities	5.4	12,607	4,514
Total current liabilities		56,003	37,655
Non-current liabilities			
Trade and other payables	5.3 (a)	8,934	10,261
Provisions	5.5 (a)	1,257	990
Interest bearing liabilities	5.4	24,557	37,164
Total non-current liabilities		34,748	48,415
Total liabilities		90,751	86,070
Net assets		1,714,801	1,533,611
Equity			
Accumulated surplus		1,018,960	921,967
Reserves	9.1	695,841	611,644
Total Equity		1,714,801	1,533,611

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

Cardinia Shire Council
2018/19 Financial Report

Statement of Changes in Equity For the Year Ended 30 June 2019

	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2019					
Balance at beginning of the financial year		1,533,611	921,967	552,374	59,270
Other adjustments to opening balances	9.1(c)	460	460	-	-
Surplus for the year		97,979	97,979	-	-
Net asset revaluation increment	9.1(a)	82,751	-	82,751	-
Transfers to other reserves	9.1(b)	-	(16,692)	-	16,692
Transfers from other reserves	9.1(b)	-	15,246	-	(15,246)
Balance at end of the financial year		1,714,801	1,018,960	635,125	60,716

		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2018					
Balance at beginning of the financial year		1,176,535	707,400	418,930	50,205
Other adjustments to opening balances	9.1(c)	1,922	1,922	-	-
Recognition of land under roads prior to 1 July 2008	9.1(c)	134,567	134,567	-	-
Surplus for the year		87,143	87,143	-	-
Net asset revaluation increment	9.1(a)	133,444	-	133,444	-
Transfers to other reserves	9.1(b)	-	(20,098)	-	20,098
Transfers from other reserves	9.1(b)	-	11,033	-	(11,033)
Balance at end of the financial year		1,533,611	921,967	552,374	59,270

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

Page 6

Cardinia Shire Council
2018/19 Financial Report

Statement of Cash Flows
For the Year Ended 30 June 2019

	Note	2019 Inflows/ (Outflows) \$'000	2018 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		89,159	83,511
Statutory fees and fines		6,029	5,162
User fees		3,423	3,648
Grants - operating		15,178	14,052
Grants - capital		12,339	9,836
Contributions - monetary		21,181	17,104
Interest received		2,604	2,005
Trust funds and deposits taken		7,946	6,720
Other receipts		3,973	3,717
Net GST refund		8,350	6,061
Employee costs		(37,001)	(33,143)
Materials and services		(54,181)	(53,301)
Trust funds and deposits repaid		(6,827)	(6,993)
Net cash provided by operating activities	9.2	<u>72,173</u>	<u>58,379</u>
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(66,892)	(39,023)
Proceeds from sale of property, infrastructure, plant and equipment		3,810	7,280
Payments for investments		(12,500)	(23,500)
Proceeds from sale of investments		2,000	-
Net cash used in investing activities		<u>(73,582)</u>	<u>(55,243)</u>
Cash flows from financing activities			
Finance costs		(2,595)	(2,937)
Repayment of borrowings		(4,514)	(5,587)
Net cash provided by/(used in) financing activities		<u>(7,109)</u>	<u>(8,524)</u>
Net decrease in cash and cash equivalents		(8,518)	(5,388)
Cash and cash equivalents at the beginning of the financial year		57,811	63,199
Cash and cash equivalents at the end of the financial year	5.1 (a)	<u>49,293</u>	<u>57,811</u>
Financing arrangements	5.6		
Restrictions on cash assets	5.1		

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

Cardinia Shire Council
2018/19 Financial Report

**Statement of Capital Works
For the Year Ended 30 June 2019**

	Note	2019 \$'000	2018 \$'000
Property			
Land		8,265	6,445
Total land		8,265	6,445
Buildings			
Buildings		24,146	5,726
Heritage Buildings		182	-
Building improvements		339	76
Leasehold improvements		-	3,753
Total buildings		24,667	9,555
Total property		32,932	16,000
Plant and equipment			
Plant, machinery and equipment		2,230	1,752
Computers and telecommunications		81	245
Intangible assets		313	161
Total plant and equipment		2,624	2,158
Infrastructure			
Roads		9,951	6,026
Bridges		927	383
Footpaths and cycleways		1,874	3,064
Drainage		1,041	650
Recreational, leisure and community facilities		7,757	11,927
Off street car parks		2,784	292
Other infrastructure		123	11
Total infrastructure		24,457	22,353
Total capital works expenditure		60,013	40,511
Represented by:			
New asset expenditure		33,009	26,488
Asset renewal expenditure		9,094	9,919
Asset upgrade expenditure		17,910	4,104
Total capital works expenditure		60,013	40,511

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

Page 8

OVERVIEW**Introduction**

The Cardinia Shire Council was established by an Order of the Governor in Council on 15 December 1994 and is a body corporate. The Council's main office is located at 20 Siding Avenue, Officer.

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)
- 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, and disclosure has been made of any material changes to comparatives.

(b) Rounding

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

Note 1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 10% percent or \$500K 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 21 May 2018. 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 2019 \$'000	Actual 2019 \$'000	Variance 2019 \$'000	Variance %	Ref
Income					
Rates and charges	89,271	90,910	1,639	2%	1
Statutory fees and fines	4,466	5,269	803	18%	2
User fees	3,197	3,120	(77)	(2%)	
Grants - operating	12,269	15,598	3,329	27%	3
Grants - capital	4,621	12,241	7,620	165%	4
Contributions - monetary	955	16,408	15,453	1,618%	5
Contributions - non-monetary	-	66,270	66,270	-	6
Net gain on asset revaluation	-	1,330	1,330	-	7
Other income	2,445	6,098	3,653	149%	8
Total income	117,224	217,244	100,020	85%	
Expenses					
Employee costs	35,797	37,462	(1,665)	(5%)	9
Materials and services	46,763	52,378	(5,615)	(12%)	10
Bad and doubtful debts	176	319	(143)	(81%)	11
Depreciation and amortisation	22,598	22,207	391	2%	
Borrowing costs	4,447	2,595	1,852	42%	12
Share of net losses of associates and joint ventures	-	203	(203)	-	
Net loss on disposal of property, infrastructure, plant and equipment	-	1,236	(1,236)	-	13
Other expenses	2,502	2,865	(363)	(15%)	14
Total expenses	112,283	119,265	(6,982)	(6%)	
Surplus for the year	4,941	97,979	93,038	1,883%	

Notes to the Financial Report
For the Year Ended 30 June 20191.1 Income and expenditure (cont'd)
(i) Explanation of material variations

Ref	Item	Explanation
1	Rates and charges	Rates, including supplementary rates, are greater than budget due to an increase in the number of rateable properties. Income from the garbage charge is greater than budget due to an increase in the number of new services, but has been partly offset by green waste bin income which is under budget due to a lower number of services than expected. Actual interest on rates on charges is included in this category but is budgeted in Other Income.
2	Statutory fees and fines	Favourable variance is primarily due to Building Services (lodgement fees) and Development fees (plan checking and supervision fees) which are both greater than budget due to increased development. Local Laws fines (which includes parking fines) are also greater than budget due to increased resourcing in this area. Actual Landscape Development fees (plan checking and surveillance fees) are included in this category but are budgeted in User Fees.
3	Grants - operating	Operating grants received in excess of budget mainly included the Victoria Grants Commission (VGC) general purpose and local roads operating grants, and the Maternal & Child Health, Supported Parent Groups & Playgroups and School Crossing Supervisor grants. Additionally, unbudgeted grants have been recognised, the major two being for bushfire recovery (for the Bunyip State Park bushfire in March 2019) and the Safer Together program.
4	Grants - capital	Unbudgeted grants have been recognised, the major ones being for Comely Banks Recreation Reserve and Gembrook Leisure Park Playspace & Skatepark, both from the State Government's Growing Suburbs Fund, and for the My Place youth facility expansion and Bunyip River Road blackspot project. These have been partly offset by budgeted grants which are under budget due to timing of the receipt of the grant for Lang Lang sporting facilities.
5	Contributions - monetary	Monetary contributions include operating and capital cash contributions as well as development levies. The favourable variance is primarily a result of better than budgeted community infrastructure, developer and public open space levies, due to an increase in development activity.
6	Contributions - non-monetary	This item was not budgeted. The actual income relates to the value of roads, footpaths, drains, bridges, land and land under roads contributed by developers.
7	Net gain on asset revaluation	This is an accounting entry to offset changes to the roads revaluation recognised in prior years, and to recognise this year's change in revaluation of off street car parks.
8	Other income	Interest on investments, including Developer Contribution Plan (DCP) investments, are greater than budget due to higher investment balances and DCP interest income unbudgeted. Cost recovery income, being income received for expenditure incurred, is overall higher due to receipt of unbudgeted income.
9	Employee costs	The unfavourable variance is primarily due to the impact of new positions approved during the year and the financial effect of other staffing changes. This has been partly offset by an increase in funding from external sources, including grant and fee income and WorkCover recoveries.
10	Materials and services	Materials and services are over budget due to funded capital works, including community capital works and priority works, being expensed due to not meeting the financial criteria to be recognised as assets, and unbudgeted expenditure on bushfire recovery (Bunyip State Park March 2019 bushfire). These have been partly offset by contract expenditure which is under budget, primarily in recycling processing.
11	Bad and doubtful debts	Unfavourable variance is due to a one-off increase in the number and value of infringement debts referred to Fines Victoria and recognised as being written off.
12	Borrowing costs	Interest on loans are under budget due to the 2018-19 budgeted loan not being drawn down and repayment of other loans when due.
13	Net loss on disposal of property, infrastructure, plant and equipment	Unfavourable variance is mainly attributable to the accounting recognition of old infrastructure assets such as roads, buildings, bridges and footpaths being disposed of due to the capital works undertaken during the year.
14	Other expenses	Primarily due to an accounting entry to record the reduced value of various assets, including roads and drains which were impaired as a result of the Bunyip bushfire.

Notes to the Financial Report
For the Year Ended 30 June 2019

1.2 Capital works

	Budget 2019 \$'000	Actual 2019 \$'000	Variance 2019 \$'000	Variance %	Ref
Property					
Land	1,300	8,265	(6,965)	(536%)	1
Total Land	1,300	8,265	(6,965)	(536%)	
Buildings					
Buildings	1,628	24,146	(22,518)	(1,383%)	
Heritage buildings	-	182	(182)	-	
Building improvements	-	339	(339)	-	
Total Buildings	1,628	24,667	(23,039)	(1,415%)	2
Total Property	2,928	32,932	(30,004)	(1,025%)	
Plant and Equipment					
Plant, machinery and equipment	2,360	2,230	130	6%	3
Computers and telecommunications	460	81	379	82%	4
Intangible assets	-	313	(313)	-	5
Total Plant and Equipment	2,820	2,624	196	7%	
Infrastructure					
Roads	24,938	9,951	14,987	60%	6
Bridges	420	927	(507)	(121%)	7
Footpaths and cycleways	2,770	1,874	896	32%	8
Drainage	421	1,041	(620)	(147%)	9
Recreational, leisure and community facilities	18,031	7,757	10,274	57%	10
Parks, open space and streetscapes	2,666	-	2,666	100%	11
Off street car parks	92	2,784	(2,692)	(2,926%)	12
Other infrastructure	570	123	447	78%	13
Total Infrastructure	49,908	24,457	25,451	51%	
Total Capital Works Expenditure	55,656	60,013	(4,357)	(8%)	
Represented by:					
New asset expenditure	20,993	33,009	(12,016)	(57%)	14
Asset renewal expenditure	10,544	9,094	1,450	14%	15
Asset upgrade expenditure	24,119	17,910	6,209	26%	16
Total capital works expenditure	55,656	60,013	(4,357)	(18%)	

1.2 Capital works (cont'd)

(i) Explanation of material variations

Ref	Item	Explanation
1	Land	Acquisition of land for Gin Gin Bin Reserve and for a future road reserve.
2	Buildings	Actual expenditure includes building works at Cardinia Cultural Centre and Emerald Community Hub which were budgeted in previous years, works at Deep Creek reserve budgeted as parks, open space and streetscapes, and works at James Bathe Reserve and Lang Lang Recreation Facility budgeted as recreational, leisure and community facilities.
3	Plant, machinery and equipment	Mobile Library trailer replacement is behind schedule.
4	Computers and telecommunications	Major item budgeted in this category has been expended on software and capitalised as intangible assets.
5	Intangible assets	Software purchases were budgeted in computer and telecommunications.
6	Roads	Major item budgeted in this category is the Roads Sealing Program. The design phase of \$300k was completed in 2018/19. However, the remaining phases will continue over the coming years; \$1.8m 2019/20, \$10m 2020/21 and \$8m 2021/22.
7	Bridges	Actual expenditure includes emergency dam works at Emerald Lake Park that was unbudgeted.
8	Footpaths	Major item budgeted in this category is the Emerald to Gembrook Trail which has been partially expended on roads and recreational, leisure and community facilities.
9	Drainage	Actual expenditure includes works at Deep Creek Reserve budgeted as parks, open space and streetscapes, and works at Lang Lang Recreation Facility and Emerald Netball Facility budgeted as recreational, leisure and community facilities.
10	Recreational, leisure and community facilities	Major items budgeted in this category include: Bunyip Soccer Facility \$1.8m and Timbertop Integrated Children's Centre \$1.8m, which are behind schedule; Lang Lang Recreational Facility \$2.2m, which has been expended against other infrastructure classes including Buildings and Off street car parks; and Bridgewood Integrated Children's Centre \$3.8m that was expended in previous years.
11	Parks, open space and streetscapes	Major item budgeted in this category is Deep Creek Reserve \$1.9m which has been expended in other areas, including Buildings and Off street car parks.
12	Off street car parks	Actual expenditure includes works at Lang Lang Recreational Facility \$1.5m which was budgeted under Recreational, leisure and community facilities, and Deep Creek Reserve \$0.9m which was budgeted under parks, open space and streetscapes.
13	Other infrastructure	Major item budgeted includes Environmental Projects which has been expended in Buildings, and other minor projects not capitalised due to capitalisation thresholds.
14	New asset expenditure	Actual expenditure includes acquisition of land for Gin Gin Bin Reserve and a future road reserve not budgeted, and Emerald Community Hub which was budgeted in previous years.
15	Asset renewal expenditure	A number of road reseals have been postponed to next financial year.
16	Asset upgrade expenditure	Actual expenditure includes works for Cardinia Cultural Centre Exhibition Space and Pakenham industrial area special charge scheme budgeted in previous years.

Note 2.1 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

2.1 (a) Chief Executive Officer

This division is responsible for leading the organisation and includes Cardinia's corporate management expenses including salaries, corporate memberships and corporate legal and consultancy fees. In 2018-19 the expenditure related to the Bunyip Bushfires were captured within this division to accurately account for the additional out of budget expenses of this emergency event.

Infrastructure and Environment

Infrastructure and Environment is dedicated to making Cardinia Shire a sustainable, safe and enjoyable place to live both now and in the future. We are responsible for the management and construction of new infrastructure including the maintenance of existing assets, buildings and facilities, engineering services, waste and development services areas. The division focuses on the shire's heritage, natural environment, energy and climate change and our development and compliance services supports our planning objectives, building health and compliance regulations. Our operations area ensures a continued management and maintenance focus on the shire's roads, drainage and parks and gardens.

Liveable Communities

The Liveable Communities Division comprises of four business units, these being Policy Design and Growth Area Planning, Community Strengthening, Community and Family Services and Active Communities.

We seek to create sustainable and liveable communities for current and future residents of the shire. We work proactively and collaboratively with the community, external agencies and stakeholders to be key change agents, whilst empowering the community and balancing competing objectives of all stakeholders to achieve a common goal.

Office of the Chief Executive Officer

The newly created office of the Chief Executive Officer contains the functions of Governance, Finance, Rates, Economic Development and Mayoral and Councillor Support. The Division is focussed on delivering long term sustainable job growth, financially sustainable services and strong governance for the future of Cardinia. This group is responsible for the collection of rates and its income includes developer contributed assets not funded through the developer / infrastructure contribution plans.

Customer, People and Performance

Customer, People and Performance aspire to support effective and innovative service outcomes to the Cardinia community through several internal intersections. People and Culture support the identification, learning and development of the organisation and people resources. Customer and Service Improvement are the face of interaction with the community, and focus on improving, enhancing and reporting service delivery. Information Services provide the technology tools to meet the functional, security and legislated requirements to deliver these services, whilst Communications focus on effectively informing the community on the important information they need to know.

Cardinia Shire Council
2018/19 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2019

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

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2019					
Chief Executive Officer	430	6,218	(5,788)	430	-
Infrastructure & Environment	62,081	74,404	(12,323)	15,070	923,934
Liveable Communities	5,572	20,710	(15,138)	3,073	45,800
Office of the CEO	149,161	9,194	139,967	9,266	835,818
Customer, People & Performance	-	8,739	(8,739)	-	-
	217,244	119,265	97,979	27,839	1,805,552
	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2018					
Chief Executive Officer	107	2,783	(2,676)	86	-
Infrastructure & Environment	74,553	67,717	6,836	13,651	827,758
Liveable Communities	4,688	18,648	(13,960)	2,352	35,335
Office of the CEO	115,010	9,896	105,114	8,696	756,588
Customer, People & Performance	28	8,199	(8,171)	-	-
	194,386	107,243	87,143	24,785	1,619,681

Cardinia Shire Council
2018/19 Financial Report

**Notes to the Financial Report
For the Year Ended 30 June 2019**

	2019	2018
	\$'000	\$'000
Note 3 Funding for the delivery of our services		
3.1 Rates and charges		
Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is the market value as determined by the Municipal Valuer as at 1 January 2018.		
The valuation base used to calculate general rates for 2018/19 was \$25,134 million (2017/18 \$19,011 million). The 2018/19 rate in the CIV dollar was 0.002726 (2017/18, 0.003431).		
General Rates	74,602	70,824
Waste management charge	14,005	11,689
Supplementary rates and rate adjustments	1,493	1,203
Cultural and recreational	81	101
Interest on rates and charges	729	364
Total rates and charges	90,910	84,181
The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2018, and the valuation was first applied in the rating year commencing 1 July 2018.		
Annual rates and charges are recognised as revenue 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		
Infractions and costs	1,193	1,329
Town planning fees	1,987	1,477
Land information certificates	132	147
Permits	1,957	1,685
Total statutory fees and fines	5,269	4,638
Statutory fees and fines (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever occurs first.		
3.3 User fees		
Aged and health services	52	48
Leisure centre and recreation	1,434	1,653
Child care / children's programs	298	341
Parking	98	87
Registration and other permits	658	684
Building services	270	264
Other fees and charges	310	455
Total user fees	3,120	3,532
User fees are recognised as revenue when the service has been provided or council has otherwise earned the income.		

Cardinia Shire Council
2018/19 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2019

	2019	2018
	\$'000	\$'000
3.4 Funding from other levels of government		
Grants were received in respect of the following:		
Summary of grants		
Commonwealth funded grants	17,345	14,307
State funded grants	10,494	10,478
Total grants received	27,839	24,785
(a) Operating Grants		
Recurrent - Commonwealth Government		
Financial Assistance Grant	11,133	10,471
Community health	188	60
Family and children	2	2
Recurrent - State Government		
School crossing supervisors	405	331
Maternal and child health	1,421	1,305
Recreation	128	73
Community safety	189	104
Best Start Program	117	116
Community health	452	174
Disability	154	152
Emergency management	60	30
Environment and heritage	440	320
Family and children	339	406
Local infrastructure	140	118
Total recurrent operating grants	15,168	13,662
Non-recurrent - State Government		
Local infrastructure	430	-
Total non-recurrent operating grants	430	-
Total operating grants	15,598	13,662

Cardinia Shire Council
2018/19 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2019

	2019	2018
	\$'000	\$'000
3.4 Funding from other levels of government (cont'd)		
(b) Capital Grants		
<i>Recurrent - Commonwealth Government</i>		
Financial Assistance Grant	796	761
Roads to Recovery	1,763	2,342
Total recurrent capital grants	2,559	3,103
<i>Non-recurrent - Commonwealth Government</i>		
Local infrastructure	3,100	421
Recreation	363	250
<i>Non-recurrent - State Government</i>		
Local infrastructure	1,384	6,192
Recreation	4,835	1,157
Total non-recurrent capital grants	9,682	8,020
Total capital grants	12,241	11,123
Total	27,839	24,785
(c) Unspent grants received on condition that they be spent in a specific manner		
Balance at start of year	6,549	7,228
Received during the financial year and remained unspent at balance date	7,064	4,200
Received in prior years and spent during the financial year	(3,975)	(4,879)
Balance at year end	9,638	6,549

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

Cardinia Shire Council
2018/19 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2019

	2019 \$'000	2018 \$'000
3.5 Contributions		
(a) Contributions income		
Monetary	16,408	30,787
Non-monetary	66,270	40,438
Total contributions	82,678	71,225
<i>Contributions of non-monetary assets were received in relation to the following asset classes.</i>		
Land	30,466	10,784
Building	11	150
Roads	12,831	13,042
Other infrastructure	26,163	14,482
Other	11	10
Total non-monetary contributed assets recognised this year	69,482	38,468
The difference between the value of contributed assets recognised in Property, Plant and Equipment and non-monetary contributions income recognised in the year is due to differences in the date when Council physically gains control of the non-monetary assets, and when the income is recognised.		
(b) Contributions expenses		
Non-monetary	-	860
Total contributions	-	860
Non-monetary contributions expense for 2017/18 is for the Officer Public Open Space equalisation amount.		
<i>Contributions of non-monetary assets were distributed in relation to the following asset classes.</i>		
Land	-	860
Roads	-	-
Total non-monetary contributions expenses	-	860
Monetary and non-monetary contributions are recognised as revenue when Council obtains control over or the right to receive the contributed asset.		
3.6 (a) Net gain / (loss) on disposal of property, infrastructure, plant and equipment		
Gross proceeds of sale	1,707	2,032
Written down value of assets disposed	(2,943)	(3,473)
Total net gain / (loss) on disposal of property, infrastructure, plant and equipment	(1,236)	(1,441)
The profit or loss on sale of an asset is determined when control of the asset has passed to the buyer.		
(b) Net gain on asset revaluation		
Roads	1,925	246
Off street car parks	(595)	83
Total net gain on asset revaluation	1,330	329
Net gain on asset revaluation recognised in profit and loss to reverse prior year losses, in line with AASB 116.		
3.7 Other income		
Interest	2,548	2,124
Other recoveries	2,935	2,726
Other	615	846
Total other income	6,098	5,696
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.		

Cardinia Shire Council
2018/19 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2019

	2019 \$'000	2018 \$'000
Note 4 The cost of delivering services		
4.1 (a) Employee Costs		
Wages and salaries	33,155	29,432
WorkCover	387	525
Casual staff	593	540
Superannuation	2,953	2,662
Fringe benefits tax	353	302
Other	21	20
Total employee costs	37,462	33,481
(b) Superannuation		
Council made contributions to the following funds:		
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	132	135
	132	135
Employer contributions payable at reporting date.	Nil	Nil
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	2,821	2,527
	2,821	2,527
Employer contributions payable at reporting date.	127	115
<i>Refer to note 9.3 for further information relating to Council's superannuation obligations.</i>		
4.2 Materials and services		
Building maintenance	350	201
General maintenance	3,446	4,602
Office administration	132	191
Information technology	1,646	1,572
Materials and services	15,970	9,568
Contract payments		
- Waste and garbage contracts	11,297	10,416
- Parks and gardens contracts	4,666	4,249
- Library contract	1,968	1,874
- Other contracts	4,998	5,578
Utilities	3,059	2,611
Contractors & temp staff	2,234	1,629
Consultants	827	1,286
Legal	934	698
Insurance	805	767
Cost recoveries	46	-
Total materials and services	52,378	45,242
4.3 Depreciation and amortisation		
Property	5,569	5,394
Plant and equipment	1,706	1,667
Infrastructure	14,716	13,574
Total depreciation	21,991	20,635
Intangible assets	216	212
Total depreciation and amortisation	22,207	20,847
<i>Refer to note 5.2(c) and 6.2 for a more detailed breakdown of depreciation and amortisation charges.</i>		

Cardinia Shire Council
2018/19 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2019

	2019	2018
	\$'000	\$'000
4.4 Bad and doubtful debts		
Local laws	253	138
Other	66	423
Total bad and doubtful debts	319	561
Movement in provisions for doubtful debts		
Balance at the beginning of the year	(448)	(164)
New provisions recognised during the year	(90)	(402)
Amounts already provided for and written off as uncollectible	100	28
Amounts provided for but recovered during the year	300	90
Balance at end of year	(138)	(448)
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.		
4.5 Borrowing costs		
Interest - borrowings	2,380	2,722
Bank charges	215	215
Total borrowing costs	2,595	2,937
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.		
4.6 Other expenses		
Auditors' remuneration - VAGO - a audit of the financial statements, performance statement and grant acquittals	63	70
Auditors' remuneration - Internal	120	105
Councillors' allowances	313	304
Operating lease rentals	466	439
Assets written-off / impaired	555	-
Other expenses	1,348	894
Total other expenses	2,865	1,812

Cardinia Shire Council
2018/19 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2019

	2019	2018
	\$'000	\$'000
Note 5 Our financial position		
5.1 Financial assets		
(a) Cash and cash equivalents		
Cash on hand	9	5
Cash at bank	15,284	9,806
Term deposits - Council	24,500	35,000
Term deposits - developer contribution plans	9,500	13,000
Total cash and cash equivalents	49,293	57,811
(b) Other financial assets		
Term deposits - Council	35,000	24,000
Term deposits - developer contribution plans	27,000	27,500
Total other financial assets	62,000	51,500
Total financial assets	111,293	109,311
Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:		
- Trust funds and deposits (Note 5.3 (b))	12,178	11,060
- Developer contribution levy (Note 9.1 (b))	46,033	46,833
Total restricted funds *	58,211	57,893
Total unrestricted cash, cash equivalents and term deposits	53,082	51,418
Intended allocations		
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:		
- Cash held to fund carried forward capital works	45,860	36,145
- Unspent grants (Note 3.4 (c))	9,638	6,549
- Other allocations not subject to external restrictions	19,831	7,913
Total funds subject to intended allocations *	75,329	50,607

* It is highly unlikely that settlement of all restricted funds and intended allocations will be required within the next twelve months.

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

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

Notes to the Financial Report
For the Year Ended 30 June 2019

	2019	2018
	\$'000	\$'000
5.1 Financial assets (cont'd)		
(c) Trade and other receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	10,432	8,680
Infringement debtors	101	313
Officer developer contribution plan debtors	3,200	3,523
Cardinia road developer contribution plan debtors	604	1,648
Net GST receivable	2,272	1,284
<i>Non statutory receivables</i>		
South East Business Park	-	2,314
<i>Other debtors</i>	4,776	3,733
Provision for doubtful debts - other debtors	(138)	(448)
Total current trade and other receivables	21,247	21,047
Non-current		
<i>Statutory receivables</i>		
Special rate scheme	5,459	11,479
<i>Non statutory receivables</i>		
Bonds	90	4
Total non-current trade and other receivables	5,549	11,483
Total trade and other receivables	26,796	32,530

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.

d) Ageing of receivables

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

Current (not yet due)	3,591	5,381
Past due by up to 30 days	144	106
Past due between 31 and 180 days	941	208
Past due between 181 and 365 days	53	356
Past due by more than 1 year	47	-
Total trade & other receivables	4,776	6,051

(e) Ageing of individually impaired receivables

At balance date, other debtors representing financial assets with a nominal value of \$1,146 (2018: \$2,346) were impaired. The amount of the provision raised against these debtors was \$1,262 (2018: \$2,200). They individually have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

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

Past due by more than 1 year	1	2
Total trade & other receivables	1	2

Cardinia Shire Council
2018/19 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2019

	2019 \$'000	2018 \$'000
5.2 Non-financial assets		
(a) Inventories		
Inventories held for distribution	15	26
Total inventories	15	26
<p>Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. All other inventories, including land held for sale, are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.</p>		
(b) Other assets		
Prepayments	737	548
Accrued income	351	425
Deposits on asset purchases	2,192	800
Total other assets	3,280	1,773
(c) Intangible assets		
Software	684	587
Total intangible assets	684	587
		Software \$'000
Gross carrying amount		
Balance at 1 July 2018		2,238
Additions from internal developments		-
Other Additions		312
Disposals		-
Balance at 30 June 2019		2,550
Accumulated amortisation		
Balance at 1 July 2018		1,683
Amortisation expense		216
Disposals		-
Balance at 30 June 2019		1,899
Work in progress at 30 June 2018		32
Work in progress at 30 June 2019		33
Net book value at 30 June 2018		587
Net book value at 30 June 2019		684

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.

Cardinia Shire Council
2018/19 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2019

	2019 \$'000	2018 \$'000
5.3 Payables		
(a) Trade and other payables		
Current		
Trade payables	15,898	8,595
Accrued expenses	6,870	5,357
Income in Advance	1,356	1,312
	24,124	15,264
Non-Current		
Trade payables	8,934	10,261
	8,934	10,261
Total trade and other payables	33,058	25,525
(b) Trust funds and deposits		
Refundable deposits	11,765	10,653
Fire services levy	53	95
Sustainable Australia Fund	101	-
Trust Funds	259	312
Total trust funds and deposits	12,178	11,060

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

Purpose and nature of items

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

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

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

Cardinia Shire Council
2018/19 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2019

	2019 \$'000	2018 \$'000
5.4 Interest-bearing liabilities		
Current		
Borrowings - secured	12,607	4,514
	<u>12,607</u>	<u>4,514</u>
Non-current		
Borrowings - secured	24,557	37,164
	<u>24,557</u>	<u>37,164</u>
Total	<u>37,164</u>	<u>41,678</u>

Borrowings are secured by Deed of Charge over general rates.

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

Not later than one year	12,607	4,514
Later than one year and not later than five years	12,865	23,081
Later than five years	11,692	14,083
	<u>37,164</u>	<u>41,678</u>

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

	Annual leave \$'000	Long Service Leave \$'000	Other \$'000	Total \$'000
2019				
Balance at beginning of the financial year	2,878	4,862	67	7,807
Additional provisions	2,725	1,399	2	4,126
Amounts used	(2,571)	(786)	(9)	(3,366)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	-	(216)	-	(216)
Balance at the end of the financial year	<u>3,032</u>	<u>5,259</u>	<u>60</u>	<u>8,351</u>
2018				
Balance at beginning of the financial year	2,601	4,924	67	7,592
Additional provisions	2,552	926	1	3,479
Amounts used	(2,275)	(655)	(1)	(2,931)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	-	(333)	-	(333)
Balance at the end of the financial year	<u>2,878</u>	<u>4,862</u>	<u>67</u>	<u>7,807</u>

Cardinia Shire Council
2018/19 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2019

	2019 \$'000	2018 \$'000
5.5 Provisions (cont'd)		
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	3,032	2,878
Long service leave	948	948
Sick leave bonus/gratuity	60	67
	4,040	3,893
Current provisions expected to be wholly settled after 12 months		
Long service leave	3,054	2,924
Total current employee provision	7,094	6,817
Non-current		
Long service leave	1,257	990
Total non-current provisions	1,257	990
Aggregate carrying amount of employee provisions:		
Current	7,094	6,817
Non-current	1,257	990
Total aggregate carrying amount of employee provisions	8,351	7,807

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

Wages and salaries and annual leave

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

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

Long service leave

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

Key assumptions:

- discount rate	1.79%	2.65%
- inflation rate	3.59%	3.57%
- settlement rate	11 years	11 years

	2019 \$'000	2018 \$'000
5.6 Financing arrangements		
The Council has the following funding arrangements in place as at 30 June 2019:		
Bank Overdraft	2,000	2,000
Credit card facilities	250	70
Other facilities	37,164	41,678
Total facilities	39,414	43,748
Used facilities	37,164	41,678
Unused facilities	2,250	2,070

Cardinia Shire Council
2018/19 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2019

5.7 Commitments

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.

2019	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
Operating					
Recycling*	3,770	4,225	4,206	1,626	13,827
Garbage collection	7,308	7,229	8,401	-	22,938
Open space management	2,370	49	-	-	2,419
Consultancies	234	161	332	171	898
Cleaning contracts for council buildings	746	747	1,539	793	3,825
Meals for delivery	1,155	-	-	-	1,155
Casey Cardinia Library funding	2,165	2,230	2,297	-	6,692
Facilities management	172	191	214	-	577
Maintenance	1,147	1,147	2,363	1,217	5,874
Health	831	202	445	102	1,580
Utility	1,300	1,400	-	-	2,700
Other	1,906	264	306	141	2,617
Total	23,104	17,845	20,103	4,050	65,102
Capital					
Buildings **	17,915	-	-	-	17,915
Roads	6,702	-	-	-	6,702
Drainage	1,930	-	-	-	1,930
Total	26,547	-	-	-	26,547

2018	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
Operating					
Recycling	2,918	3,210	2,151	-	8,279
Garbage collection	9,111	9,298	12,347	1,906	32,662
Open space management	5,015	1,699	-	-	6,714
Consultancies	571	-	-	-	571
Cleaning contracts for council buildings	752	752	1,526	798	3,828
Meals for delivery	1,130	1,155	-	-	2,285
Casey Cardinia Library funding	1,968	2,012	4,172	-	8,152
Facilities management	184	-	-	-	184
Maintenance	1,147	1,147	2,337	1,217	5,848
Health	609	633	-	-	1,242
Other	3,651	1,125	495	163	5,434
Total	27,056	21,031	23,028	4,084	75,199
Capital					
Buildings	19,229	848	-	-	20,076
Roads	5,068	2,322	-	-	7,390
Drainage	315	-	-	-	315
Land	4,770	-	-	-	4,770
Total	29,382	3,170	-	-	32,551

* Recycling excludes one contract as the service provider is under administration. Contract with new service provider signed after balance date.

** Includes several major projects for recreation reserves and community facilities

Cardinia Shire Council
2018/19 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2019

	2019	2018
	\$'000	\$'000
5.7 Commitments (cont'd)		
Operating lease commitments		
At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):		
Not later than one year	125	151
Later than one year and not later than five years	119	75
Later than five years	356	-
	<u>600</u>	<u>226</u>

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

Note 6 Assets we manage

6.1 Non current assets classified as held for sale

Cost of acquisition	2,768	-
Total non current assets classified as held for sale	<u>2,768</u>	<u>-</u>

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

(a) Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2018	Additions	Contributions	Prior year adjustments	Revaluation	Depreciation	Disposal	Impairment	Transfers to held for sale	Transfers	At Fair Value 30 June 2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property	837,633	8,265	30,477	(1,370)	49,846	(5,569)	(1,314)	(111)	(2,768)	3,861	918,950
Plant and equipment	7,849	2,163	11	-	-	(1,706)	(260)	-	-	-	8,057
Infrastructure	596,386	-	37,483	380	34,234	(14,716)	(1,369)	(444)	-	29,829	681,783
Work in progress	32,052	49,272	1,511	1,450	-	-	-	-	-	(33,690)	50,595
	1,473,920	59,700	69,482	460	84,080	(21,991)	(2,943)	(555)	(2,768)	-	1,659,385

Summary of Work in Progress

	Opening WIP	Additions	Contributions	Prior year adjustments	Transfers	Closing WIP
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property	6,675	24,667	-	-	(3,655)	27,687
Plant and equipment	-	148	-	-	-	148
Infrastructure	25,377	24,457	1,511	1,450	(30,035)	22,760
Total	32,052	49,272	1,511	1,450	(33,690)	50,595

6.2 Property, infrastructure, plant and equipment (cont'd)

(b) Property

	Land - specialised	Land - non specialised	Total Land & Land Improvements	Heritage buildings	Buildings - specialised	Buildings - non specialised	Building improvements	Leasehold improvements	Total Buildings	Work In Progress	Total Property
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2018	444,843	215,729	660,572	6,576	234,482	13,880	24,298	3,753	282,989	6,675	950,236
Accumulated depreciation at 1 July 2018	-	-	-	(5,473)	(87,967)	(7,658)	(4,779)	(52)	(105,929)	-	(105,929)
	444,843	215,729	660,572	1,103	146,515	6,222	19,519	3,701	177,060	6,675	844,307
Movements in fair value											
Additions	4,168	4,097	8,265	-	-	-	-	-	-	24,667	32,932
Contributions	16,051	14,415	30,466	11	-	-	-	-	11	-	30,477
Prior year adjustments	4,757	(6,123)	(1,366)	-	(126)	-	10	-	(116)	-	(1,482)
Revaluation	14,144	28,413	42,557	521	5,777	841	767	(262)	7,644	-	50,201
Disposal	(993)	-	(993)	-	(2,796)	(1,056)	-	-	(3,852)	-	(4,845)
Transfers to assets held for sale	(758)	(2,010)	(2,768)	-	-	-	-	-	-	-	(2,768)
Transfers	(78,586)	78,586	-	167	1,507	2,028	441	-	4,143	(3,655)	488
Impairment losses recognised in operating result	(93)	-	(93)	-	(18)	-	-	-	(18)	-	(111)
	(41,310)	117,378	76,068	699	4,344	1,813	1,218	(262)	7,812	21,012	104,892
Movements in accumulated depreciation											
Depreciation and amortisation	-	-	-	(78)	(3,877)	(241)	(1,285)	(88)	(5,569)	-	(5,569)
Prior year adjustments	-	-	-	-	112	-	-	-	112	-	112
Revaluation increments/decrements	-	-	-	(182)	308	(438)	(108)	65	(355)	-	(355)
Accumulated depreciation of disposals	-	-	-	-	2,567	964	-	-	3,531	-	3,531
Transfers	-	-	-	5	(118)	(165)	(4)	-	(282)	-	(282)
	-	-	-	(255)	(1,008)	120	(1,397)	(23)	(2,563)	-	(2,563)
At fair value 30 June 2019	403,533	333,107	736,640	7,275	238,826	15,693	25,516	3,491	290,801	27,687	1,055,128
Accumulated depreciation at 30 June 2019	-	-	-	(5,728)	(88,975)	(7,538)	(6,176)	(75)	(108,492)	-	(108,492)
	403,533	333,107	736,640	1,547	149,851	8,155	19,340	3,416	182,309	27,687	946,636

6.2 Property, infrastructure, plant and equipment (cont'd)
(c) 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 2018	11,606	2,744	1,877	-	16,227
Accumulated depreciation at 1 July 2018	(5,872)	(1,641)	(865)	-	(8,378)
	5,734	1,103	1,012	-	7,849
Movements in fair value					
Additions	2,082	-	81	148	2,311
Contributions	-	-	11	-	11
Disposal	(986)	-	-	-	(986)
	1,096	-	92	148	1,336
Movements in accumulated depreciation					
Depreciation and amortisation	(1,345)	(143)	(218)	-	(1,706)
Accumulated depreciation of disposals	726	-	-	-	726
	(619)	(143)	(218)	-	(980)
At fair value 30 June 2019	12,702	2,744	1,969	148	17,563
Accumulated depreciation at 30 June 2019	(6,491)	(1,784)	(1,083)	-	(9,358)
	6,211	960	886	148	8,205

6.2 Property, infrastructure, plant and equipment (cont'd)
(d) Infrastructure

	Roads	Bridges	Footpaths and cycleways	Drainage	Recreational, leisure and community	Off street car parks	Other Infrastructure	Work In Progress	Total Infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2018	338,337	77,776	87,812	229,907	34,441	9,788	540	25,377	803,978
Accumulated depreciation at 1 July 2018	(90,276)	(26,506)	(17,210)	(33,267)	(12,131)	(2,617)	(208)	-	(182,215)
	248,061	51,270	70,602	196,640	22,310	7,171	332	25,377	621,763
Movements in fair value									
Additions	-	-	-	-	-	-	-	24,457	24,457
Contributions	12,831	3,155	4,817	13,037	3,643	-	-	1,511	38,994
Prior year adjustments	44	(336)	123	421	123	-	-	1,450	1,825
Revaluation	19,407	6,310	940	12,232	11,552	(508)	-	-	49,933
Disposal	(1,124)	(698)	(326)	(141)	(372)	(173)	-	-	(2,834)
Transfers	8,509	1,137	4,795	4,837	6,013	3,211	1,045	(30,035)	(488)
Impairment losses recognised in operating result	(365)	-	-	(79)	-	-	-	-	(444)
	39,302	9,568	10,349	30,307	20,959	2,530	1,045	(2,617)	111,443
Movements in accumulated depreciation									
Depreciation and amortisation	(8,132)	(887)	(1,799)	(2,493)	(1,144)	(213)	(48)	-	(14,716)
Prior year adjustments	(15)	151	(16)	(96)	(19)	-	-	-	5
Revaluation increments/decrements	(2,592)	(2,597)	(453)	(2,105)	(7,865)	(87)	-	-	(15,699)
Accumulated depreciation of disposals	721	416	77	21	198	32	-	-	1,465
Transfers	-	-	-	-	382	-	(100)	-	282
	(10,018)	(2,917)	(2,191)	(4,673)	(8,448)	(268)	(148)	-	(28,663)
At fair value 30 June 2019	377,639	87,344	98,161	260,214	55,400	12,318	1,585	22,760	915,421
Accumulated depreciation at 30 June 2019	(100,294)	(29,423)	(19,401)	(37,940)	(20,579)	(2,885)	(356)	-	(210,878)
	277,345	57,921	78,760	222,274	34,821	9,433	1,229	22,760	704,543

6.2 Property, infrastructure, plant and equipment (cont'd)*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
<i>Asset recognition thresholds and depreciation periods</i>		\$'000
Land & land improvements		
land	-	-
land improvements	-	10
Buildings		
buildings	10 - 200 years	10
building and leasehold improvements	10 - 100 years	10
Plant and Equipment		
plant, machinery and equipment	5 - 15 years	5
others	3 - 15 years	5
Infrastructure		
roads - pavements, substructure, formation and earthworks	10 - 70 years	10
roads - kerb, channel and minor culverts and other	10 - 70 years	10
footpaths	10 - 50 years	10
bridges - deck and substructure	20 - 100 years	10
drainage	25 - 100 years	10
others	5 - 100 years	10
Intangible assets	5 years	5

Land under roads

Council recognises land under roads it controls at fair value.

Land under roads prior to 1 July 2008 were recognised in line with AASB 1051 in 2017/18.

Depreciation and amortisation

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

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

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

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

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

Finance leases

Leases of assets where substantially all the risks and rewards incidental to ownership of the asset are transferred to the Council are classified as finance leases. Finance leases are capitalised, recording an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments, including any guaranteed residual value. Lease payments are allocated between the reduction of the lease liability and the interest expense. Leased assets are depreciated on a straight line basis over their estimated useful lives to the Council where it is likely that the Council will obtain ownership of the asset or over the term of the lease, whichever is the shorter. Council currently has no finance leases.

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.

Leasehold improvements

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date, leasehold improvements are amortised over a 70 year period. During the year, this was increased from a 30 year period due to the lease extension options that are available and expected to be taken up. The change has reduced the amortisation charge by \$37K.

Notes to the Financial Report
For the Year Ended 30 June 2019

6.2 Property, infrastructure, plant and equipment (cont'd)

Valuation of land and buildings

Valuation of land and buildings were undertaken by a qualified independent valuer Bianca Schewtschenko-Bywater AAPI, Certified Practising Valuer 77946 from Westlink Consulting. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

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

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

The date of the current valuation is detailed in the following table.

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2019 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
Land - non specialised	-	333,107	-	Dec 2018
Land - specialised	-	-	403,533	Dec 2018
Heritage Buildings	-	-	1,547	Dec 2018
Buildings - non specialised	-	-	8,155	Dec 2018
Buildings - specialised	-	-	149,851	Dec 2018
Building improvements	-	-	19,340	Dec 2018
Leasehold improvements	-	-	3,416	Dec 2018
Total	-	333,107	585,842	

Notes to the Financial Report
For the Year Ended 30 June 2019

6.2 Property, infrastructure, plant and equipment (cont'd)

Valuation of infrastructure

Valuation of infrastructure assets has been performed by the Council's asset management coordinator who has approximately twenty years experience in local government asset management, including undertaking condition assessments, managing asset systems, and undertaking valuations/revaluations of non-current assets.

The date of the current valuation is detailed in the following table.

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

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2019 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
Roads	-	-	277,345	April 2019
Bridges	-	-	57,921	April 2019
Footpaths and cycleways	-	-	78,760	April 2019
Drainage	-	-	222,274	April 2019
Recreational, leisure and community facilities	-	-	34,821	April 2019
Off street car parks	-	-	9,433	April 2019
Other infrastructure *	-	-	1,229	-
Total	-	-	681,783	

* Other infrastructure is carried at cost.

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 20% 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 \$1 and \$3,333 per square metre.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$300 to \$5,035 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 1 years to 70 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 1 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.

	2019 \$'000	2018 \$'000
Reconciliation of specialised land		
Land under roads	185,581	174,905
Parks and reserves	217,952	269,939
Total specialised land	403,533	444,844

Cardinia Shire Council
2018/19 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2019

	2019 \$'000	2018 \$'000
6.3 Investments in associates		
a) Investments in associates		
Investments in associates accounted for by the equity method is:		
Casey Cardinia Library Corporation	1,331	1,534
Fair value of Council's investment in Casey Cardinia Library Corporation	1,331	1,534
Casey Cardinia Library Corporation		
<i>Background</i>		
Library service run by City of Casey and Cardinia Shire Council. Cardinia Shire has equity in the library. The equity for 2018/19 (based on the unaudited library statements) is 25.276% (2017/18 26.5%)	1,331	1,534
Fair value of Council's investment in Casey Cardinia Library Corporation	1,331	1,534
Council's share of accumulated surplus		
Council's share of accumulated surplus at start of year	997	1,059
Reported deficit for year	(132)	(68)
Transfers (to) from reserves	-	-
Distributions for the year	(71)	6
Council's share of accumulated surplus at end of year	794	997
Council's share of reserves		
Council's share of reserves at start of year	537	537
Transfers (to) from reserves	-	-
Council's share of reserves at end of year	537	537
Movement in carrying value of specific investment		
Carrying value of investment at start of year	1,534	1,596
Share of surplus(deficit) for year	(132)	(68)
Share of asset revaluation	-	-
Distributions received	(71)	6
Carrying value of investment at end of year	1,331	1,534
Council's share of expenditure commitments		
Operating commitments	75	83
Capital commitments	-	-
Council's share of expenditure commitments	75	83

Significant restrictions

The Casey Cardinia Library Corporation (CCLC) operated under a Regional Library Agreement that has been prepared in accordance with s.196 of the *Local Government Act 1989*, approved by the Minister for Local Government, and executed by the Casey and Cardinia Councils. The CCLC exists as an independent Local Government entity, subject to most of the same requirements of a Council under the *Local Government Act 1989*. The CCLC is governed by a Board of Councillors and Officers from the member councils, and is managed by a board appointed Chief Executive Officer.

The Regional Library Agreement does not allow for the payment of dividends to the Member Councils, and only considers the transfers of assets (and liabilities) in the case of the dissolution of the agreement or the exit of one of the parties.

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.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

For joint operations, Council recognises its direct right to, and its share of jointly held assets, liabilities, revenues and expenses of joint operations.

Interests in joint ventures are accounted for using the equity method. Under this method, the interests are initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise Council's share of the post-acquisition profits or losses and movements in other comprehensive income in profit or loss and other comprehensive income respectively.

Committees of management

All entities controlled by Council that have material revenues, expenses, assets or liabilities, such as committees of management, have been included in this financial report. Any transactions between these entities and Council have been eliminated in full.

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

Cardinia Shire Council

Associates

Interests in associates are detailed in Note 6.3.

(b) Key Management Personnel

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

Councillors

Cr Graeme Moore	(Mayor from 13 November 2018)
Cr Collin Ross	(Deputy Mayor from 13 November 2018, Mayor until 12 November 2018)
Cr Brett Owen	(Deputy Mayor until 12 November 2018)
Cr Jodie Owen	
Cr Carol Ryan	
Cr Graeme Moore	
Cr Jeff Springfield	
Cr Leticia Wilmot	
Cr Michael Schilling	
Cr Ray Brown	

CEO and General Managers

Carol Jeffs	(Chief Executive Officer from 08 October 2018)
Garry McQuillan	(Chief Executive Officer until 05 October 2018)
Derek Madden	(General Manager Corporate Services until 26 October 2018)
Andrew Paxton	(General Manager Planning & Development until 29 April 2019)
Michael Ellis	(General Manager Assets and Services until 04 February 2019)
Jenny Scicluna	(General Manager Community Wellbeing until 14 April 2019, General Manager Customer, People and Performance from 29 April 2019)
Waudi Tahche	(General Manager People and Culture until 29 April 2019)
Tom McQualter	(Executive Manager-Office of the CEO from 03 June 2019)
Peter Benazic	(General Manager Infrastructure and Environment from 03 June 2019)
Tracey Parker	(General Manager Liveable Communities from 11 June 2019)

Managers acted as General Managers during position vacancy and backfill periods

Andrew Barr	(Acting General Manager Infrastructure and Environment 29 April to 31 May 2019)
Andrew Pomeroy	(Acting Executive Manager-Office of the CEO 29 April to 31 May 2019)
David Jackson	(Acting General Manager Corporate Services from 12 to 23 March 2019 Acting General Manager Customer, People and Performance from 24 March to 26 April 2019)
Debbie Tyson	(Acting General Manager Assets and Services from 04 February 2019 to 14 April 2019 Acting General Manager Infrastructure and Environment from 15 to 26 April 2019)
Kristen Jackson	(Acting General Manager Community Wellbeing from 29 October 2018 to 05 April 2019)
Tracey Parker	(Acting General Manager Liveable Communities from 29 April to 10 June 2019)
Stephen Sparrow	(Acting General Manager Community Wellbeing from 08 to 26 April 2019)

	2019	2018
	No.	No.
Total Number of Councillors	9	9
Chief Executive Officer and other Key Management Personnel	16	6
Total Key Management Personnel	<u>25</u>	<u>15</u>

Cardinia Shire Council
2018/19 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2019

	2019 \$'000	2018 \$'000
7.1 Council and key management remuneration (cont'd)		
(c) Remuneration of Key Management Personnel		
Total remuneration of key management personnel was as follows:		
Short-term benefits	1,785	1,771
Post-employment benefits	133	136
Long-term benefits	36	35
Termination benefits	251	-
Total	2,205	1,942

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

	2019 No.	2018 No.
\$10,000 - \$19,999	4	-
\$20,000 - \$29,999	8	7
\$30,000 - \$39,999	1	-
\$40,000 - \$49,999	1	1
\$50,000 - \$59,999	1	-
\$60,000 - \$69,999	2	1
\$80,000 - \$89,999	1	-
\$100,000 - \$109,999	1	-
\$110,000 - \$119,999	1	-
\$170,000 - \$179,999	1	-
\$220,000 - \$229,999	-	1
\$230,000 - \$239,999*	1	1
\$250,000 - \$259,999	-	2
\$260,000 - \$269,999	2	-
\$270,000 - \$279,999	-	1
\$390,000 - \$399,999	-	1
\$400,000 - \$409,999*	1	-
	25	15

* During 2018-19, Key Management Personnel (KMP) remuneration includes one-off redundancy payments to one KMP in range \$230,000 - \$239,999 and one KMP in range \$400,000 - \$409,999.

(d) Senior Officer Remuneration

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

- a) has management responsibilities and reports directly to the Chief Executive; or
- b) whose total annual remuneration exceeds \$148,000

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

	2019 No.	2018 No.
Income Range:		
< \$148,000**	3	1
\$148,000 - \$149,999***	4	6
\$150,000 - \$159,999	16	13
\$160,000 - \$169,999	7	6
\$170,000 - \$179,999	-	4
\$180,000 - \$189,999	-	1
\$220,000 - \$229,999***	1	-
	31	31

	2019 \$'000	2018 \$'000
Total Remuneration for the reporting year for Senior Officers included above, amounted to:	4,831	4,884

** During 2018-19, several managers acted as General Managers during General Manager position vacancy periods. Therefore, their acting period remuneration is displayed under Key Management Personnel section.

*** During 2018-19, Senior Officer Remuneration includes one-off redundancy payments to one senior officer in range \$148,000 - \$149,999 and one senior officer in range \$220,000 - \$229,999.

Cardinia Shire Council
2018/19 Financial Report

**Notes to the Financial Report
For the Year Ended 30 June 2019**

	2019	2018
	\$'000	\$'000
7.2 Related party disclosures		
(a) Transactions with related parties		
During the period Council entered into the following transactions with related parties.		
Provision of Library Services by the Casey Cardinia Library Corporation, in accordance with the Regional Library Agreement	1,968	1,874
Provision of a Mobile Library bus to the Casey Cardinia Library Corporation	34	33
	<u>2,002</u>	<u>1,907</u>
(b) Commitments to related parties		
Council aggregate amount of commitments in existence at balance date that have been made, guaranteed or secured by the council to Casey Cardinia Library Corporation (Note 5.7)	6,692	8,152
	<u>6,692</u>	<u>8,152</u>

Note 8 Managing uncertainties**8.1 Contingent assets and liabilities****(a) Contingent assets****Operating lease receivables**

The Council has entered into commercial property leases on its investment property, consisting of surplus freehold office complexes. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 10 years. All leases include a CPI based revision of the rental charge annually.

The Council has entered into commercial property leases on its investment property, consisting of surplus freehold office complexes. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 10 years. All leases include a CPI based revision of the rental charge annually.

	2019	2018
	\$'000	\$'000
Not later than one year	573	441
Later than one year and not later than five years	1327	1022
Later than five years	3089	2741
	<u>4,989</u>	<u>4,204</u>

Natural Disaster - Bunyip Bushfire

Council was affected by a natural disaster, Bunyip Bushfire, in March 2019. Claims will be submitted to the Department of Treasury and Finance in respect to rectification works undertaken.

(b) Contingent liabilities**Superannuation**

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

Future superannuation contributions

In addition to the disclosed contributions, Cardinia Shire Council has not paid unfunded liability payments to Vision Super totalling during the 2018/19. There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2019. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2020 are \$132,000.

Landfill

Council carries out site rehabilitation works on an EPA licensed landfill site, the Nar Nar Goon landfill (570 Bald Hill Road, Pakenham VIC 3810), that was closed on 5 July 2001. At balance date Council has assessed that the provision required for ongoing site rehabilitation, monitoring and aftercare costs are not material.

Building cladding

Council is aware of buildings that contain cladding. Assessments have been performed and not considered as high risk. Further review of buildings would occur only as directed by the Victorian Building Authority.

Liability Mutual Insurance (where applicable)

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.

Natural Disaster - Bunyip Bushfire

Council was affected by a natural disaster, Bunyip Bushfire, in March 2019. Rectification works have been undertaken. At balance date Council assessed outstanding commitments relating to the Bunyip Bushfire rectification works as not material. Council has assessed approximately \$444K of assets as impaired (refer to note 6.2).

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

(c) Guarantees for loans to other entities

The amount disclosed for financial guarantee in this note is the nominal amount of the underlying loan that is guaranteed by the Council, not the fair value of the financial guarantee.

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

8.2 Changes in accounting standards

The following new AAS's have been issued that are not mandatory for the 30 June 2019 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.

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

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

Council have assessed AASB 15 will not have a material impact.

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

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

Leases (AASB 16) (applies 2019/20)

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

Council has elected to adopt the modified retrospective approach to the transition to the new lease standard. This will mean that only existing operating leases for non low value assets, with remaining terms greater than 12 months, will be recognised on transition (1 July 2019). Based on our current lease commitments and an assumption of a continuation of the current leasing arrangements Council expects that the transition to the new standard will see the initial recognition of \$277,844 in lease related assets and an equivalent liability.

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

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

Council has assessed that the standard would have impacted \$1.1m in prepaid rates in 2018/19. The impact of accounting for volunteer services has been completed, however, Council does not have a reliable estimate for the impact as at 30 June 2019.

8.3 Financial Instruments**(a) Objectives and policies**

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

(b) Market risk

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

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council's interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes Council to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rate.

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

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

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

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

(c) Credit risk

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

- Council 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.

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

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

(d) Liquidity risk

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

To help reduce these risks Council:

- have a Investment Policy which targets a maximum and average level of cash and cash equivalents to be maintained with any bank;
- 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; and
- monitor budget to actual performance on a regular basis.

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(c), and is deemed insignificant based on prior periods' data and current assessment of risk.

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

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

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

8.3 Financial Instruments (cont'd)**(e) Sensitivity disclosure analysis**

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

- A parallel shift of + 1% and -1% in market interest rates (AUD) from year-end rates of 1.90% - 2.75%.

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.

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

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

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

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

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

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

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

Revaluation

Subsequent to the initial recognition of assets, Land and Building and major Infrastructure assets, 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 1 to 4 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

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

Notes to the Financial Report
For the Year Ended 30 June 2019

Note 9 Other matters

9.1 Reserves	Balance at beginning of reporting period	Increment (decrement)	Balance at end of reporting period
	\$'000	\$'000	\$'000
(a) Asset revaluation reserves			
2019			
Property			
Land	350,978	42,557	393,535
Buildings	70,851	7,289	78,140
	421,829	49,846	471,675
Infrastructure			
Roads	-	14,891	14,891
Bridges	25,269	3,713	28,982
Footpaths and cycleways	17,731	487	18,218
Drainage	87,545	10,127	97,672
Recreational, leisure and community facilities	-	3,687	3,687
	130,545	32,905	163,450
Total asset revaluation reserves	552,374	82,751	635,125
2018			
Property			
Land	246,390	104,588	350,978
Buildings	53,891	16,960	70,851
	300,281	121,548	421,829
Infrastructure			
Bridges	20,673	4,596	25,269
Footpaths and cycleways	17,030	701	17,731
Drainage	80,946	6,599	87,545
	118,649	11,896	130,545
Total asset revaluation reserves	418,930	133,444	552,374

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

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period	Ref
	\$'000	\$'000	\$'000	\$'000	
(b) Other reserves					
2019					
Developer contribution levy	46,833	11,462	(12,262)	46,033	1
Community Facilities levy	3,214	1,538	(1,691)	3,061	2
Public Open Space levy	7,370	3,350	(871)	9,849	3
Native vegetation	719	26	(97)	648	4
Decorative Light Poles	817	188	(141)	864	5
Landscapes	317	128	(184)	261	6
Total other reserves	59,270	16,692	(15,246)	60,716	
Total reserves				695,841	
2018					
Developer contribution levy	41,533	14,143	(8,843)	46,833	
Community Facilities levy	2,270	1,266	(322)	3,214	
Public Open Space levy	4,938	4,093	(1,661)	7,370	
Native vegetation	710	26	(17)	719	
Decorative Light Poles	656	245	(84)	817	
Landscapes	98	325	(106)	317	
Total other reserves	50,205	20,098	(11,033)	59,270	
Total reserves				611,644	

Notes to the Financial Report
For the Year Ended 30 June 2019

9.1 Reserves (cont'd)

Ref	Item	Description
1	Developer levy	This reserve is the balance of the cash levies paid to council in and is to be used to cover the cost of any of the Developer Contribution Plans (DCP) infrastructure assets that are to be purchased or constructed by Council.
2	Community Facilities levy	This reserve is the balance of the cash levies paid to Council and is to be used to cover the cost of the remaining community facilities to be provided under the DCP area.
3	Public Open Space levy	It is a requirement under the Planning Scheme and Precinct Structure Plans (PSP's) that a minimum percentage of the developed land be provided for public open space. If the minimum amount is unable to be provided, a cash contribution is required. For Officer DCP area, the contributions are to be used to compensate developers who provide more than the minimum 5.5%. For Cardinia Rd DCP area, the contributions are to be used to offset the provision of land for open space on a parcel of land being subdivided where the amount of open space to be provided exceeds the 8% public open space contribution.
4	Native vegetation	Developers have a statutory responsibility under the planning scheme to provide revegetation to offset the vegetation removed as part of the development. Those who are unable to provide the revegetation required under the planning scheme are required to pay a cash contribution to Council. These contributions are then used to do revegetation in other areas on council land.
5	Decorative Light Poles	Existing subdivisions where decorative light poles are already installed, are to be offered the option to install the same decorative light poles in future stages. Income raised from the pole fee is to be maintained in a Reserve fund and used to offset future costs of replacing decorative poles and retrofitting energy efficient lamps on existing decorative poles.
6	Landscape	Developers are required to provide landscaping in new estates which is inspected upon completion and a Practical Completion certificate issued. A landscape maintenance bond is then required to be paid to ensure they are accountable for the maintenance of this landscaping for a two year period. After this time, if rectification works are required and not completed by the developer, Council retains funds from their landscape bond to cover the future cost of these works.

	2019	2018
	\$'000	\$'000
(c) Adjustments directly to equity		
Recognition of land under roads prior to 1 July 2008	-	134,567
Prior year adjustments for previously not recognised assets/liabilities	460	1,922
Total adjustments directly to equity	<u>460</u>	<u>136,489</u>

Land under roads prior to 1 July 2008 were recognised in line with AASB 1051 in 2017/18.

Cardinia Shire Council
2018/19 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2019

	2019 \$'000	2018 \$'000
9.2 Reconciliation of cash flows from operating activities to surplus / (deficit)		
Surplus for the year	97,979	87,143
Depreciation/amortisation	22,207	20,847
Proceeds from sale of assets - investing activity, not operating activity	(1,707)	(2,032)
Written down book value (WDBV) of assets sold - non-cash	2,943	3,473
Contributions - non-monetary	(66,270)	(39,579)
Capital grants - non-monetary	-	(1,200)
Interest costs - financing, not operating activity	2,595	2,937
Share of net (gain)/loss of associates - non-cash	203	62
Impairment (gain)/loss - non-cash	555	-
Net asset revaluation (increment)/decrement	(1,330)	(329)
Change in assets and liabilities:		
(Increase) / decrease in trade and other receivables	2,177	(13,861)
(Increase) / decrease in prepayments	(1,581)	292
(Increase) / decrease in accrued income	74	5
Increase / (decrease) in trade and other payables	12,611	1,206
Increase / (decrease) in other liabilities	1,119	(463)
(Increase) / decrease in inventories	11	(20)
Increase / (decrease) in provisions	543	216
Increase / (decrease) in income in advance	44	(318)
Net cash provided by operating activities	<u>72,173</u>	<u>58,379</u>

9.3 Superannuation

Council makes all 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 receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2019, this was 9.5% as required under Superannuation Guarantee legislation).

Defined Benefit

Cardinia Shire 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 Cardinia Shire 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

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

As at 30 June 2018, 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 Cardinia Shire Council is a contributing employer was 106.0%. 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 for 30 June 2019 is 107.1%.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2018 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Employer contributions**Regular contributions**

On the basis of the results of the 2018 interim actuarial investigation conducted by the Fund Actuary, Cardinia Shire 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 2019, this rate was 9.5% of members' salaries (9.5% in 2017/2018). This rate will increase in line with any increases in the SG contribution rate.

In addition, Cardinia Shire 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 Cardinia Shire 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.

9.3 Superannuation (cont'd)

The 2018 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Cardinia Shire Council is a contributing employer. Generally, a full actuarial investigation conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2018 and a 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 Cardinia Shire Council is a contributing employer:

- A VBI surplus \$131.9m in 2018, \$69.8m in 2017
- A total service liability surplus \$218.3m in 2018, \$193.5m in 2017
- A discounted accrued benefits surplus \$249.1m in 2018, \$228.8m in 2017

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 2018.

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 2018.

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 2018.

Cardinia Shire Council was notified of the 30 June 2018 VBI during August 2018 (2017: August 2017).

The 2019 interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2019 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2019.

Scheme	Type of Scheme	Rate	2019	2018
			\$'000	\$'000
Vision Super	Defined benefits	9.50%	132	135
Vision Super	Accumulation	9.50%	2,821	2,527

Cardinia Shire Council has no unfunded liability payments to Vision Super during both 2018/19 and 2017/18 year.

There were \$127,000 contributions outstanding and no loans issued from or to the above schemes as at 30 June 2019.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2020 is \$132,000.

2018–19 Performance statement



Description of municipality

Cardinia Shire is one of the fastest growing local government areas in Victoria with an average of six families moving into the area every day. As of 2019, Cardinia Shire's estimated population is 115,401 and is expected to increase by approximately 54,000 over the next 10 years.

Located 55 kilometres south-east of Melbourne's central business district, Cardinia Shire is one of 10 'interface councils' around the perimeter of metropolitan Melbourne, where urban and rural areas meet. The Victorian Government has nominated the Casey-Cardinia Region as one of five regions around the fringe of metropolitan Melbourne where new housing and population growth is to be concentrated. The main areas of growth in Cardinia Shire are Beaconsfield, Officer and Pakenham. Outside this growth area, Cardinia Shire's large rural population resides in 27 townships.

Cardinia Shire covers an area of 1,280km² and has a rich diversity of both natural and cultural sites, from the waters of Western Port Bay to the foothills of the Dandenong Ranges, comprising places of local and state significance. These heritage places reflect the different periods and people who have shaped the shire's landscape, from Aboriginal Australians, the first people to use the rugged landscape, to the logging and gold mining of the foothills, the draining of the former Koo Wee Rup Swamp, and pastoral settlement. The landscape is again under a period of change as new development and new people move into the area every week.

Sustainable capacity indicators

	Indicator	2016	2017	2018	2019	Material variation
Population	<i>Expenses per head of municipal population</i> [Total expenses/ Municipal population]	\$1,084.60	\$1,066.38	\$1,037.72	\$1,113.36	Decreasing trend over the 2015-16 to 2017-18 period is due to expenses increasing at a slower rate than municipal population. Expenses increased by 7.9% over the three year period whilst municipal population increased by 12.8%. The increase in 2018-19 is due to expenses, largely infrastructure related, increasing by 12.1%, whereas municipal population only increased by 4.5%
	<i>Infrastructure per head of municipal population</i> [Value of infrastructure/ Municipal population]	\$7,213.50	\$7,754.53	\$7,933.85	\$8,614.11	Increasing trend is due to the value of infrastructure increasing at a higher rate than the municipal population. Value of infrastructure has increased by 40.7% over the four year period, whereas the municipal population has increased by 17.9% over the same period.
	<i>Population density per length of road</i> [Municipal population/kilometres of local roads]	60.11	62.62	66.05	68.10	Increasing trend is due to the municipal population increasing at a higher rate than the kilometres of local roads. Municipal population has increased by 17.9% over the four year period, whereas the kilometres of local roads has increased by 4.0% over the same period.
Own-source revenue	<i>Own-source revenue per head of municipal population</i> [Own-source revenue/Municipal population]	\$1,000.97	\$1,009.42	\$959.62	\$996.32	

	Indicator	2016	2017	2018	2019	Material variation
Recurrent grants	Recurrent grants per head of municipal population [Recurrent grants/Municipal population]	\$120.82	\$211.98	\$163.54	\$165.49	Spike in 2016-17 was caused by the timing of payment of the Victoria Grants Commission (VGC) Financial Assistance Grants (FAGs). In 2015-16, only approx. 50% of the 2015-16 grant was received. In 2016-17, the full 2016-17 grant plus approx. 50% of the 2017-18 grant were received. In 2017-18, approx. 50% of the 2017-18 grant plus approx. 50% of the 2018-19 grant were received. In 2018-19, approx. 50% of the 2018-19 grant plus approx. 50% of the 2019-20 grant were received.
Disadvantage	Relative socio-economic disadvantage [Index of relative socio-economic disadvantage by decile]	8.00	8.00	8.00	8.00	

Definitions

- “adjusted underlying revenue” means total income other than—
 - a. non-recurrent grants used to fund capital expenditure; and
 - b. non-monetary asset contributions; and
 - c. contributions to fund capital expenditure from sources other than those referred to in paragraphs (a) and (b).
- “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*.
- “municipal population” means the resident population based on data published by the Australian Bureau of Statistics on its website.
- “own-source revenue” means adjusted underlying revenue other than revenue that is not under the control of council (including government grants).
- “relative socio-economic disadvantage”, in relation to a municipality, means the relative socio-economic disadvantage, expressed as a decile of 1 to 10 for the relevant financial year, of the area in which the municipality is located according to the Index of Relative Socio-Economic Disadvantage (Catalogue Number 2033.0.55.001) of SEIFA.
- “SEIFA” means the Socio-Economic Indexes for Areas published from time-to-time by the Australian Bureau of Statistics on its website.

Service performance indicators

Service	Indicator	2016	2017	2018	2019	Material variation
Aquatic facilities	Utilisation <i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities/Municipal population]	9.73	6.26	7.06	6.93	Council requested that all attendance data be supported by an evidence base (e.g. software, door counter, etc.). This change was established three years ago. 2017 data is slightly lower than subsequent years because door counters were not installed at the beginning of that financial year.
Animal management	Health and safety <i>Animal management prosecutions</i> [Number of successful animal management prosecutions]	22	26	26	14	Fewer reports of dog attacks during the reporting period.
Food safety	Health and safety <i>Critical and major non-compliance outcome notifications</i> [Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises followed up/Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises] x100	100%	100%	100%	100%	

Service	Indicator	2016	2017	2018	2019	Material variation
Governance	Satisfaction <i>Satisfaction with Council decisions</i> [Community satisfaction rating out of 100 with how Council has performed in making decisions in the interest of the community]	54	53	53	54	
Libraries	Participation <i>Active library members</i> [Number of active library members/Municipal population] x100	13.48%	12.44%	11.34%	10.39%	The downwards trend in active library members is largely due to population growth in this corridor, coupled with a gradual changing trend of service use. Visitors come and use the space, use the Wi-Fi and technology and engage in programs, but may not necessarily borrow from the library collection.
Maternal and Child Health (MCH)	Participation <i>Participation in the MCH service</i> [Number of children who attend the MCH service at least once (in the year)/Number of children enrolled in the MCH service] x100	75.34%	74.52%	76.14%	76.70%	
	Participation <i>Participation in the MCH service by Aboriginal children</i> [Number of Aboriginal children who attend the MCH service at least once (in the year)/Number of Aboriginal children enrolled in the MCH service] x100	69.83%	71.86%	69.38%	79.71%	Council has a specific program that has improved engagement of Aboriginal and Torres Strait Islander children in the MCH service.

6

Service	Indicator	2016	2017	2018	2019	Material variation
Roads	Satisfaction <i>Satisfaction with sealed local roads</i> [Community satisfaction rating out of 100 with how Council has performed on the condition of sealed local roads]	57	54	55	58	
Statutory planning	Decision making <i>Council planning decisions upheld at VCAT</i> [Number of VCAT decisions that did not set aside Council's decision in relation to a planning application/Number of VCAT decisions in relation to planning applications] x100	66.67%	50.00%	33.33%	100%	Robust decisions within the Planning department and successful compulsory hearing outcomes have resulted in VCAT upholding council's decisions.
Waste collection	Waste diversion <i>Kerbside collection waste diverted from landfill</i> [Weight of recyclables and green organics collected from kerbside bins/Weight of garbage, recyclables and green organics collected from kerbside bins] x100	46.05%	47.00%	47.62%	42.14%	Lower diversion rate due to larger landfill volumes during recycling contractor facility closure.

Definitions

- “Aboriginal child” means a child who is an Aboriginal person.
- “Aboriginal person” has the same meaning as in the *Aboriginal Heritage Act 2006*.
- “active library member” means a member of a library who has borrowed a book from the library.
- “annual report” means an annual report prepared by a council under sections 131, 132 and 133 of the *Local Government Act 1989*.
- “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 authorised officer under that Act, of a deficiency that poses an immediate serious threat to public health.
- “food premises” has the same meaning as in the *Food Act 1984*.
- “local road” means a sealed or unsealed road for which the council is the responsible road authority under the *Road Management Act 2004*.
- “major non-compliance outcome notification” means a notification received by a council under section 19N(3) or (4) of the *Food Act 1984*, or advice given to council by an authorised officer under that Act, of a deficiency that does not pose an immediate serious threat to public health but may do so if no remedial action is taken.
- “MCH” means the Maternal and Child Health Service provided by a council to support the health and development of children within the municipality from birth until school age.
- “municipal population” means the resident population based on data published by the Australian Bureau of Statistics on its website.
- “WorkSafe reportable aquatic facility safety incident” means an incident relating to a council aquatic facility that is required to be notified to the Victorian WorkCover Authority under Part 5 of the *Occupational Health and Safety Act 2004*.

Financial performance indicators

Indicator	Result				Forecasts				Material variation
	2016	2017	2018	2019	2020	2021	2022	2023	
Efficiency									
Revenue level <i>Average residential rate per residential property assessment</i> [Residential rate revenue/Number of residential property assessments]	\$1,789.39	\$1,800.99	\$1,835.05	\$1,785.02	\$1,854.59	\$1,879.82	\$1,898.29	\$1,918.65	
Expenditure level <i>Expenses per property assessment</i> [Total expenses/Number of property assessments]	\$2,503.48	\$2,456.66	\$2,457.96	\$2,625.62	\$2,548.11	\$2,560.71	\$2,533.90	\$2,528.20	
Workforce turnover <i>Resignations and terminations compared to average staff</i> [Number of permanent staff resignations and terminations/Average number of permanent staff for the financial year] x100	10.83%	10.50%	13.25%	10.01%	11.84%	12.31%	12.50%	12.68%	Resignations/terminations were 12 less than forecast and the average staff numbers increased above forecast.

Indicator	Result				Forecasts				Material variation
	2016	2017	2018	2019	2020	2021	2022	2023	
Liquidity									
Working capital <i>Current assets compared to current liabilities</i> [Current assets/Current liabilities] x100	239.28%	291.58%	350.97%	247.49%	236.11%	210.81%	238.59%	297.42%	Current liabilities have increased at a higher rate (due a higher balance of trade and other payables and interest bearing loans and borrowings) than current assets.
Unrestricted cash <i>Unrestricted cash compared to current liabilities</i> [Unrestricted cash/Current liabilities] x100	94.59%	48.04%	-8.79%	-50.41%	47.82%	21.74%	30.77%	78.01%	Less unrestricted cash (higher negative balance) in 2018-19 due to higher capital carryovers and unspent grants. These amounts aren't included in the forecast years as they are unknown.
Obligations									
Asset renewal <i>Asset renewal compared to depreciation</i> [Asset renewal expense/Asset depreciation] x100	45.06%	31.54%	47.58%	40.95%	62.97%	47.29%	43.15%	47.85%	Renewal expenditure is slightly lower in 2018-19 due to the nature of the capital works program, whilst depreciation expense has increased with the inclusion of new and contributed assets. When upgrade expenditure is included, as per VAGO's renewal gap financial sustainability risk indicator, the indicator is 121.60% for 2019.
Loans and borrowings <i>Loans and borrowings compared to rates</i> [Interest bearing loans and borrowings/Rate revenue] x100	70.73%	59.72%	49.51%	40.88%	36.36%	37.58%	32.21%	27.71%	Budgeted loans not drawn down and other loans repaid as due has led to a lower loans balance, which will continue over the forecast period.

Indicator	Result				Forecasts				Material variation
	2016	2017	2018	2019	2020	2021	2022	2023	
<i>Loans and borrowings repayments compared to rates</i> [Interest and principal repayments on interest bearing loans and borrowings/Rate revenue] x100	18.25%	10.49%	10.13%	7.82%	7.41%	7.16%	5.68%	4.77%	Repayments have reduced due to lower loan balances, which will continue to decline over the forecast period.
Indebtedness <i>Non-current liabilities compared to own-source revenue</i> [Non-current liabilities/Own-source revenue] x100	61.34%	58.21%	49.21%	32.56%	40.59%	42.68%	38.11%	34.18%	Non-current liabilities have decreased due to lower loans balances, whilst own source revenue has increased due to higher non-cash contributions.
Operating position									
Adjusted underlying result <i>Adjusted underlying surplus (or deficit)</i> [Adjusted underlying surplus (deficit)/Adjusted underlying revenue] x100	3.88%	13.09%	7.94%	4.76%	5.72%	4.55%	5.92%	6.62%	The decrease from 2018 to 2019 is mainly attributable to an increase in expenses (12%) at a higher rate than the increase in underlying revenue (8%). The main expense increases are employee costs (12%), materials and services (16%) and depreciation (7%)."
Stability									
Rates concentration <i>Rates compared to adjusted underlying revenue</i> [Rate revenue/Adjusted underlying revenue] x100	72.34%	67.20%	72.85%	72.59%	76.44%	78.02%	78.44%	78.85%	

Indicator	Result				Forecasts				Material variation
	2016	2017	2018	2019	2020	2021	2022	2023	
Rates effort <i>Rates compared to property values</i> [Rate revenue/Capital improved value of rateable properties in the municipality] x100	0.44%	0.42%	0.43%	0.35%	0.36%	0.36%	0.36%	0.37%	The decrease from 2018 to 2019 is due to the Capital Improved Value basis of valuation of all rateable properties in the municipality increasing at a higher rate than rate revenue. Capital Improved Valuation levels increased by 34% whereas total rates and charges revenue increased by 8%. Rising property values do not affect total rates collected, rather apportion the rate burden between properties according to their individual valuations. Total rates and charges is determined by Council's budget and the rate cap as per the State Government's Fair Go Rating System.

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 expense” 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 Australian Accounting Standard (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).
- “municipal population” means the resident population based on data published by the Australian Bureau of Statistics on its website.
- “rate revenue” means revenue from general rates, municipal charges, service rates and service charges.
- “recurrent grant” means a grant other than a non-recurrent grant.
- “residential rates” means revenue from general rates, municipal charges, service rates and service charges levied on residential properties.
- “restricted cash” means cash and cash equivalents, within the meaning of the AAS, that are not available for use other than for a purpose for which it is restricted, and includes cash to be used to fund capital works expenditure from the previous financial year.
- “unrestricted cash” means all cash and cash equivalents other than restricted cash.

Other information

For the year ended 30 June 2019.

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, services 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's information systems or from third parties.

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

The forecast figures included in the Performance Statement are those adopted by Council in its strategic resource plan on 17 June 2019 and which forms part of the Council Plan. The strategic resource plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the Annual Financial Report. The strategic resource plan can be obtained by contacting Council on 1300 787 624 or mail@cardinia.vic.gov.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*.

Scott Moore
Chief Finance Officer
Dated: 16 September 2019

In our opinion, the accompanying performance statement of the Cardinia Shire Council for the year ended 30 June 2019 presents fairly the results of Council's performance in accordance with the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014*.

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

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

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

Brett Owen
Councillor
Dated: 16 September 2019

Ray Brown
Councillor
Dated: 16 September 2019

Carol Jeffs
Chief Executive Officer
Dated: 16 September 2019