

6.4 Financial Reports

6.4.1 Financial Report and Performance Statement

File Reference: Nil
Responsible GM: Tom McQualter
Author: Scott Moore

Recommendation(s)

That Council:

1. Pursuant to Section 132(2) of the *Local Government Act 1989*, gives its approval in principle to the financial statements and performance statement for the year ended 30 June 2020, subject to any changes recommended or agreed to by the auditor;
2. Pursuant to Section 132(5) of the *Local Government Act 1989*, authorises Cr. Ray Brown and Cr. Brett Owen to certify the financial statements and performance statement for the year ended 30 June 2020, 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. Appoints Scott Moore, Chief Finance Officer, as the Principal Accounting Officer for the purposes of Section 132(5b) of the *Local Government Act 1989*.

Attachments

1. 2019-20 Financial Statements [6.4.1.1 - 50 pages]
2. 2019-20 Performance Statement [6.4.1.2 - 21 pages]

Executive Summary

To approve the Financial Statements and Performance Statement for the year ended 30 June 2020 and authorise Cr. Ray Brown and Cr. 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 2020. 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 Cr. Ray Brown and Cr. Brett Owen be the councillors authorised to sign these documents.

The documents were considered by the by the Audit Committee at its meeting on 28 August 2020.

The documents (as part of the Council's Annual Report) will be lodged with the Minister for Local Government by 30 September 2020 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 23 November 2020 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 \$72.77 million before Net asset revaluation increment, compared to a budget of \$87.58 million and last year's surplus of \$97.98 million.

This Surplus is due to \$78.54 million of income 'tied' and not available for general operational use. It includes non-cash income of \$40.13 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 \$20.23 million and capital contributions - monetary of \$18.18 million, which do not cover operating expenses but relate to capital expenditure for non-current assets summarised in the Statement of Capital Works. The adjusted underlying result, which is a key financial sustainability indicator that excludes these capital and abnormal items, is a deficit of \$4.87 million for the year. This is further detailed below.

The material factors that contributed to the 2019/20 surplus included:

- Rates and charges income was \$1.39 million below budget due to: lower than expected increase in the number of ratable properties; decrease in general and supplementary rates income \$0.83 million; lower than expected garbage charges \$0.22 million from a decrease in new services; interest on rates and charges \$0.20 million; lower green waste charge income \$0.14 million due to a lower number of services than budgeted.
- Statutory fees and fines income was \$0.96 million below budget mainly due to: lower than expected development fees (plan checking and supervision) of \$0.94 million and landscape application fees of \$0.16 million due to reduced development offset by unbudgeted income of \$0.14 million for Pool registrations.

- User fees income was \$1.12 million lower than budget mainly due to: lower than budgeted user fee of \$0.63 million, including Cardinia LIFE, Passive Reserve, Cardinia Cultural Centre and Emerald Lake Park. \$0.49 million included in this category but budgeted in Other Income.
- Operating grant income was \$2.24 million higher than budget mainly due to: higher than budgeted grants received \$1.38 million, including Bunyip State Park bushfire in March 2019, School Crossing Supervisors, Maternal & Child Health universal program, and Victoria Grants Commission (VGC) general purpose and local roads operating grants. Unbudgeted grant income of \$0.86 million was recognised, including for the recycling processing and Cannibal Creek biodiversity project. The amount of capital grant income recognised has been reduced due to grants received in advance as per the new accounting standard.
- Capital grant income was \$0.66 million higher than budget mainly due to \$12.64 million of unbudgeted grants, including for grants received in excess of budget in relation to Sealing the Hills, Officer District Park and Rix Road Integrated Children's Facility, This has been offset by budgeted capital grants of \$11.99 million not be recognised for McGregor Road and Pakenham Bypass interchange upgrade, Roads Sealing Program and Timbertop Integrated Children's facility. The amount of capital grant income recognised has been reduced by \$0.88 million due to grants received in advance recognised in the balance sheet as per the new accounting standard.
- Contributions (monetary) income \$0.19 million lower than budget mainly due to lower demand for decorative light poles in new developments.
- Net gain on revaluation off street car park asset revaluation of \$0.78 million recognised in the income statement was unbudgeted.
- Net gain on disposal of assets \$0.99 million, including land, old roads, buildings, bridges, intangibles, recreational assets and footpaths, resulting from capital works undertaken during the year.
- Other income was \$2.34 million above budget due to cost recoveries from Insurance claims and capital projects \$2.18 million higher than budget, \$ 0.53 of income budgeted in user fees and unbudgeted impairment reversal of \$0.06 million. This was offset by \$0.43 million of investment interest which was lower than the amount budgeted.
- Employee costs were \$1.49 million higher than budget largely due to the impact of new positions approved during the year \$1.72 million which include \$0.32 million of COVID related positions which has been partly offset by the financial saving of other staffing changes \$0.20 million.
- Materials and services expenditure was \$10.53 million over budget due to: \$7.72 million of funded capital works expensed upon not meeting asset capitalisation criteria including works on Bunyip Soccer Pavilion, Peet Street Special Charges Scheme and James Bathe Recreation Reserve; \$1.62 million of maintenance expenditure, \$0.71 million of contract expenditure, and unbudgeted volunteer expenditure of \$0.91 million recognised due to the requirement of the new accounting standard effective 2019/20. These have been partly offset by utility expenditure which is under budget by 0.36 million.
- Borrowing costs were \$0.29 million under budget mainly due to budgeted loan borrowings not being drawn down.

Balance Sheet

Net assets at 30 June 2020 were \$0.13 million higher than budget (\$0.11 million higher than 2018/19), which maintains Council's strong financial position.

Total Cash, cash equivalents and other financial assets \$103.75 million exceeded budget by \$18.25 million (\$7.55 million lower than 2018/19), mainly due to a \$18.58 million reduction in payments for property, infrastructure, plant and equipment.

Council's cash and term deposits are subject to external restrictions of \$63.28 million (Trust funds and deposits and Developer contribution levy) and \$43.81 million intended allocations (discretionary reserves, including capital carried forward, unspent grants and s86 Committee accounts).

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 a full revaluation of Council's Roads, Off Street Car Parks and Footpaths (full revaluation is every 4yrs) and an annual review of fair values of infrastructure at 30 June 2020. 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. There were no material differences in 2019/20 that required a desktop adjustment.

The land valuation resulted in land assets increasing by \$16.01 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 \$7.35 million due to changes in unit rates and construction date analysis.

Council's Road assets value increased by \$11.60 million due to changes in unit rates offset by adjustments to useful lives and reduction in other costs. Footpaths value increased by \$2.29 million due to changes in unit rates and the inspection and reclassification of older concrete path assets.

The overall increase in revaluation reserve amounted to \$37.26 million.

Off Street Car Park assets value increased by 0.78 million mainly due to changes in unit rates and this was recognized in the income statement to offset losses recognized in previous years.

Statement of Capital Works

Expenditure on capital works of \$70.74 million for the year was \$12.02 million below budget (\$10.73 million higher than 2018/19), mainly as a result of the property at McMullen Road even though settled in May 2020, the payment is due over the next two financial years.

Works already underway totaling \$25.02 million that are carried over to 2020/21 for completion include: Lang Lang Sporting Facilities Masterplan, Koo Wee Rup High School sports facilities upgrade, Emerald Community Hub (Hills Hub), Worrell Reserve Recreation Pavilion, Timbertop Integrated Children's Facility, Cora Lynn Reserve Pavilion, Gembrook Reserve Pavilion, O'Sullivan's Rd / Hill & Peet Streets Pakenham, Sealing the Hills program and Emerald Netball Pavilion.

Statement of Cash Flows

Council's cash and investments with original maturities of 90 days or less were \$91.75 million at 30 June 2020, compared to \$49.29 million in the prior year. This was due to the net impact of the following:

- Decreased net cash from operating activities \$9.13 million mainly through lower inflows from all income sources except for rates and charges and grants;
- Decreased net cash used in investing activities \$59.76 million mainly due to increased proceeds from investments; and
- Lower cash balance at the start of the year \$8.52 million.

At 30 June 2020 loan borrowings were \$32.56 million, after \$13.53 million scheduled principal repayments made during the year offset by proceeds from rolled over loans of \$8.92 million.

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 2019/20 and published on the 'KnowYourCouncil' website.

Performance Statement

Four financial performance indicators recorded materially unfavourable variations (10% materiality threshold):

Service Performance Indicator	2016/17	2017/18	2018/19	2019/20	Comment to be published in Annual Report
Working capital	291.58%	350.97%	247.49%	215.85%	Current assets have decreased at a lower rate (due a higher balance of cash and cash equivalents) than current liabilities.
Unrestricted cash compared to current liabilities	48.04%	-8.79%	-50.41%	-23.22%	Less unrestricted cash (higher negative balance) in 2019-20 due to higher developer contribution reserves and unspent grants.
Adjusted underlying result	13.09%	7.94%	4.76%	-2.54%	The decrease from 2019 to 2020 is mainly attributable to an increase in expenses (10%) at a higher rate than the increase in underlying revenue (3%). The main expense increases are employee costs (9%), materials and services (16%) and depreciation (12%).
Indebtedness (non-current liabilities compared to own source revenue)	58.21%	49.21%	32.56%	39.44%	The increase from 2019 to 2020 is mainly attributable to higher creditors and lease incentives liabilities (24%), whilst own source revenue increased marginally (2%).

Two service performance indicators recorded materially unfavourable variations (10% materiality threshold):

Service Performance Indicator	2016/17	2017/18	2018/19	2019/20	Comment to be published in Annual Report
Utilisation of aquatic facilities	6.26	7.06	6.93	4.78	Visits have significantly decreased as the centre was closed for over 2 months due to COVID-19. The centre briefly re-opened but was restricted in attendances and no gym or stadium competitions were run.
Satisfaction with sealed local roads	54	55	58	52	The decrease in satisfaction aligns with the increase in sealed local road requests. In addition, we have

					observed overall dissatisfaction with condition of state managed roads.
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Three indicators were retired during the year and new indicators were introduced:

Service Performance Indicator	2016/17	2017/18	2018/19	2019/20
Asset renewal compared to depreciation	31.54%	47.58%	40.95%	Retired indicator
Asset renewal and upgrade	New in 2020	New in 2020	New in 2020	79.55%
Residential rate revenue/Number of residential property assessments	\$1,800.99	\$1,835.05	\$1,785.02	Retired indicator
General rates and Municipal charges /Number of property assessments	New in 2020	New in 2020	New in 2020	\$1,710.92
Number of successful animal management prosecutions	26	26	14	Retired indicator
Number of successful animal management prosecutions/Total number of animal management prosecutions	New in 2020	New in 2020	New in 2020	100%

Two financial performance indicators, Loans and borrowings compared to rates and Loans and borrowings repayments compared to rates and one service performance indicator, Council planning decisions upheld at VCAT have materially favourable variations, while the remaining measures within the Performance Statement are all within materiality thresholds, with minor improvements or declines.

Policy Implications

Nil.

Relevance to Council Plan

Nil.

Climate Emergency Consideration

Nil.

Consultation/Communication

Nil.

Financial and Resource Implications

Nil.

Conclusion

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

CARDINIA SHIRE COUNCIL
ANNUAL FINANCIAL REPORT

For the Year Ended 30 June 2020

CARDINIA SHIRE COUNCIL
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	16
3.5. Contributions	18
3.6. Net loss on disposal of property, infrastructure, plant and equipment	18
3.7. Net gain on asset revaluation	18
3.8. Other income	18
Note 4 The cost of delivering services	18
4.1. Employee costs	18
4.2. Materials and services	19
4.3. Depreciation	19
4.4. Amortisation - Intangible assets	19
4.5. Amortisation - Right of use assets	19
4.6. Bad and doubtful debts	20
4.7. Borrowing costs	20
4.8. Finance Costs - Leases	20
4.9. Other expenses	20
Note 5 Our financial position	20
5.1. Financial assets	20
5.2. Non-financial assets	22
5.3. Payables	23
5.4. Interest-bearing liabilities	23
5.5. Provisions	24
5.6. Financing arrangements	25
5.7. Commitments	25
5.8. Leases	26
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, joint arrangements and subsidiaries	37
Note 7 People and relationships	38
7.1. Council and key management remuneration	38
7.2. Related party disclosure	39
Note 8 Managing uncertainties	40
8.1. Contingent assets and liabilities	40
8.2. Impact of COVID 19 pandemic on council	41
8.3. Change in accounting standards	41
8.4. Financial instruments	42
8.5. Fair value measurement	43
8.6. Events occurring after balance date	44
Note 9 Other matters	44
9.1. Reserves	44
9.2. Reconciliation of cash flows from operating activities to surplus/(deficit)	46
9.3. Superannuation	46
Note 10 Change in accounting policy	48

Certification of the Financial Statements

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

Scott Moore
Chief Finance Officer

Date : 21 September 2020
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 2020 and the financial position of the Council as at that date.

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

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

Ray Brown
Councillor
Date : 21 September 2020
20 Siding Avenue, Officer

Brett Owen
Councillor

Date : 21 September 2020
20 Siding Avenue, Officer

Carol Jeffs
Chief Executive Officer

Date : 21 September 2020
20 Siding Avenue, Officer

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

	Note	2020 \$'000	2019 \$'000
Income			
Rates and charges	3.1	95,907	90,910
Statutory fees and fines	3.2	4,064	5,307
User fees	3.3	2,506	2,614
Grants - operating	3.4 (a)	16,579	15,598
Grants - capital	3.4 (b)	20,225	12,241
Contributions - monetary	3.5	18,346	16,408
Contributions - non-monetary	3.5	40,133	66,270
Net gain on asset revaluation	3.7	782	1,330
Share of net profits of associates	6.3	35	-
Other income	3.8	5,868	6,566
Total income		204,445	217,244
Expenses			
Employee costs	4.1 (a)	41,013	37,462
Materials and services	4.2	60,971	52,378
Depreciation	4.3	24,680	21,991
Amortisation - intangible assets	4.4	205	216
Amortisation - right of use assets	4.5	71	-
Bad and doubtful debts	4.6	333	319
Borrowing costs	4.7	2,135	2,595
Finance costs - leases	4.8	23	-
Net loss on disposal of property, infrastructure, plant and equipment	3.6	898	1,236
Share of net loss of associates	6.3	-	203
Other expenses	4.9	1,345	2,865
Total expenses		131,674	119,265
Surplus for the year		72,771	97,979
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment	9.1 (a)	37,257	82,751
Total comprehensive result		110,028	180,730

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

Balance Sheet
As at 30 June 2020

	Note	2020 \$'000	2019 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1 (a)	91,748	49,293
Trade and other receivables	5.1 (c)	23,951	21,247
Other financial assets	5.1 (b)	12,000	62,000
Inventories	5.2 (a)	11	15
Non-current assets classified as held for sale	6.1	3,019	2,768
Other assets	5.2 (b)	2,875	3,280
Total current assets		133,604	138,603
Non-current assets			
Trade and other receivables	5.1 (c)	12,658	5,549
Investments in associates	6.3	1,366	1,331
Property, infrastructure, plant and equipment	6.2	1,782,661	1,659,385
Right-of-use assets	5.8	1,967	59
Intangible assets	5.2 (c)	377	684
Total non-current assets		1,799,029	1,667,008
Total assets		1,932,633	1,805,611
Liabilities			
Current liabilities			
Trade and other payables	5.3 (a)	20,941	22,768
Trust funds and deposits	5.3 (b)	11,175	12,178
Provisions	5.5	8,376	7,094
Interest-bearing liabilities	5.4	12,317	12,607
Lease liabilities	5.8	154	7
Unearned Income	5.3 (c)	8,933	1,356
Total current liabilities		61,896	56,010
Non-current liabilities			
Trade and other payables	5.3 (a)	19,812	8,934
Provisions	5.5	1,179	1,257
Interest-bearing liabilities	5.4	20,242	24,557
Lease liabilities	5.8	1,824	52
Total non-current liabilities		43,057	34,800
Total liabilities		104,953	90,810
Net assets		1,827,680	1,714,801
Equity			
Accumulated surplus		1,086,072	1,018,960
Reserves	9.1	741,608	695,841
Total Equity		1,827,680	1,714,801

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

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

	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2020					
Balance at beginning of the financial year		1,714,801	1,018,960	635,125	60,716
Other adjustments to opening balances	9.1 (c)	2,851	2,851	-	-
Surplus for the year		72,771	72,771	-	-
Net asset revaluation increment	9.1 (a)	37,257	-	37,257	-
Transfers to other reserves	9.1 (b)	-	(17,230)	-	17,230
Transfers from other reserves	9.1 (b)	-	8,720	-	(8,720)
Balance at end of the financial year		1,827,680	1,086,072	672,382	69,226

		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

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

Statement of Cash Flows
For the Year Ended 30 June 2020

	Note	2020 Inflows/ (Outflows) \$'000	2019 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		92,057	89,159
Statutory fees and fines		4,427	6,029
User fees		2,635	3,423
Grants - operating		18,347	15,178
Grants - capital		20,974	12,339
Contributions - monetary		8,471	21,181
Interest received		1,605	2,604
Trust funds and deposits taken		25,057	7,946
Other receipts		4,676	3,973
Net GST refund/(payment)		10,852	8,350
Employee costs		(39,591)	(37,001)
Materials and services		(60,000)	(54,181)
Short-term, low value and variable lease payments		(304)	-
Trust funds and deposits repaid		(26,162)	(6,827)
Net cash provided by operating activities	9.2	63,044	72,173
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(64,186)	(66,892)
Proceeds from sale of property, infrastructure, plant and equipment		360	3,810
Payments for investments		-	(12,500)
Proceeds from sale of investments		50,000	2,000
Net cash provided by/(used in) investing activities		(13,826)	(73,582)
Cash flows from financing activities			
Finance costs		(1,831)	(2,595)
Proceeds from borrowings		8,925	-
Repayment of borrowings		(13,530)	(4,514)
Interest paid - lease liability		(23)	-
Repayment of lease liabilities		(304)	-
Net cash provided by/(used in) financing activities		(6,763)	(7,109)
Net increase (decrease) in cash and cash equivalents		42,455	(8,518)
Cash and cash equivalents at the beginning of the financial year		49,293	57,811
Cash and cash equivalents at the end of the financial year	5.1 (a)	91,748	49,293
Financing arrangements	5.6		
Restrictions on cash assets	5.1		

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

Statement of Capital Works
For the Year Ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Property			
Land		22,121	8,265
Total land		22,121	8,265
Buildings			
Buildings		21,810	24,146
Heritage buildings		-	182
Building improvements		388	339
Leasehold improvements		26	-
Total buildings		22,224	24,667
Total property	6.2 (a)	44,345	32,932
Plant and equipment			
Plant, machinery and equipment	6.2 (b)	1,253	2,230
Fixtures, fittings and furniture	6.2 (b)	168	-
Computers and telecommunications	6.2 (b)	16	81
Intangible assets	5.2 (c)	124	313
Total plant and equipment		1,561	2,624
Infrastructure			
Roads		9,488	9,951
Bridges		908	927
Footpaths and cycleways		1,685	1,874
Drainage		3,095	1,041
Recreational, leisure and community facilities		7,533	7,757
Off street car parks		1,002	2,784
Other infrastructure		1,127	123
Total infrastructure	6.2 (c)	24,838	24,457
Total capital works expenditure		70,744	60,013
Represented by:			
New asset expenditure		40,110	33,009
Asset renewal expenditure		17,250	9,094
Asset expansion expenditure		11,001	-
Asset upgrade expenditure		2,383	17,910
Total capital works expenditure		70,744	60,013

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

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)
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of *AASB 15 Revenue from Contracts with Customers* or *AASB 1058 Income of Not-for-Profit Entities* (refer to Note 3)
- the determination, in accordance with *AASB 16 Leases*, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.8)
- other areas requiring judgements

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

(b) 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 17 June 2019. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

1.1 Income and expenditure

	Budget 2020 \$'000	Actual 2020 \$'000	Variance 2020 \$'000	Variance 2020 %	Ref
Income					
Rates and charges	97,299	95,907	(1,392)	(1%)	1
Statutory fees and fines	5,022	4,064	(958)	(19%)	2
User fees	3,625	2,506	(1,119)	(31%)	3
Grants - operating	14,338	16,579	2,241	16%	4
Grants - capital	19,562	20,225	663	3%	5
Contributions - monetary	350	163	(187)	(53%)	6
Capital contributions - monetary	625	609	(16)	(3%)	
Development levies - monetary	17,265	17,574	309	2%	
Contributions - non-monetary	45,000	40,133	(4,867)	(11%)	7
Net asset revaluation increment	-	782	782	100%	8
Share of net profit of associates	-	35	35	100%	9
Net gain on disposal of property, infrastructure, plant and equipment	986	-	(986)	(100%)	10
Other income	3,526	5,868	2,342	66%	11
Total income	207,599	204,445	(3,154)	(2%)	
Expenses					
Employee costs	39,523	41,013	(1,490)	(4%)	12
Materials and services	50,444	60,971	(10,527)	(21%)	13
Depreciation	24,840	24,680	160	1%	
Amortisation - intangible assets	214	205	9	4%	
Amortisation - right of use assets	-	71	(71)	(100%)	14
Bad and doubtful debts	176	333	(157)	(89%)	15
Borrowing costs	2,420	2,135	285	12%	16
Net loss on disposal of property, infrastructure, plant and equipment	-	898	(898)	(100%)	10
Finance costs - leases	-	23	(23)	(100%)	17
Other expenses	2,399	1,345	1,054	44%	18
Total expenses	120,016	131,674	(11,658)	(10%)	
Surplus for the year	87,583	72,771	(14,812)	(17%)	
Less Capital income and other abnormals	(83,439)	(77,643)	5,796	(7%)	
Adjusted underlying result	4,144	(4,872)	(9,016)	(218%)	

1.1 Income and expenditure (Cont'd)
(i) Explanation of material variations

1	Rates and charges	Rates revenue is lower than budget due to lower supplementary rates. Garbage charge revenue, including commercial garbage and green waste bin income is under budget due to a lower number of services than expected. Interest on rates and charges is under budget due to waiving of interest in the last quarter due to COVID-19.
2	Statutory fees and fines	Development fees (plan checking and supervision), Landscape Development and Planning fees are all under budget due to a slowdown in development activity, and have also been unfavourably impacted by COVID-19. COVID-19 has also impacted statutory fees and fines income through reduced enforcement and issuing of fines in Compliance Services (local laws, animal control and planning enforcement). These have been partly offset by unbudgeted Pool Registration and Building Services fees which are better than budget.
3	User fees	Cardinia Cultural Centre event and room hire revenue is under budget due to lower bookings as a result of the recent redevelopment works and COVID-19. COVID-19 has also forced other Council facilities to temporarily close, resulting in reduced user fee income. Passive Reserves user fees are unfavourable due to changes to the fees schedule and Emerald Lake Park fees have also been affected unfavourably by development works.
4	Grants - operating	Grants received in excess of budget in relation to Bunyip State Park bushfire in March 2019, School Crossing Supervisors, Maternal & Child Health universal program, and Victoria Grants Commission (VGC) general purpose and local roads operating grants. Additionally, unbudgeted grants have been recognised, the major two being for recycling processing and Cannibal Creek biodiversity project. The amount of operating grant income recognised has been reduced due to grants received in advance. (Please refer note 5.3 (c)).
5	Grants - capital	Capital grants received in excess of budget in relation to Sealing the Hills, Officer District Park and Rix Road Integrated Children's Facility, This has been offset by budgeted capital grants not be recognised which mainly include McGregor Road and Pakenham Bypass interchange upgrade, Roads Sealing Program and Timbertop Integrated Children's facility. The amount of capital grant income recognised has been reduced due to grants received in advance. (Please refer note 5.3 (c)).
6	Contributions - monetary	Monetary contributions are under budget mainly due to lower demand for decorative light poles in new developments.
7	Contributions - non monetary	This item includes developer contributions of roads, footpaths, drains, bridges, land and land under roads, as well as developer levies, and is under budget due to the downturn in development activity. Also included is the value of volunteer services, which was not budgeted, but is fully offset in materials and services expenditure.
8	Net asset revaluation increment	Off street car parks revaluation unbudgeted.
9	Share of net profit of associates	Share of net profit from associates unbudgeted.
10	Net gain/loss on disposal of property, infrastructure, plant and equipment	This item was budgeted as a gain (income) but actuals are a loss (expenditure). 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. Additionally, net proceeds from the sale of land and plant were unfavourable.
11	Other income	Cost recovery income, being income received for expenditure incurred, is overall higher due to receipt of unbudgeted income including Insurance claims and capital projects. This has been partly offset by interest on investments, including Developer Contribution Plan (DCP) investments, which are under budget due to lower interest rates.
12	Employee costs	The unfavourable variance is primarily due to the impact of new positions approved during the year including Bushfire 2019 and COVID-19 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, and underspending in several areas due to staff vacancies.
13	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. Contracts are over budget mainly due to unbudgeted funding for the COVID-19 impact on operations at Council's leisure facilities. The value of volunteer services, which was not budgeted, has been recognised, but is fully offset in non-monetary contributions income.
14	Amortisation - Right of use assets	Due to a requirement of the change in accounting standards it is disclosed separately.
15	Bad and doubtful debts	Unfavourable variance is due to a review of outstanding debtors resulting in an increase to the provision for bad and doubtful debts.
16	Borrowing costs	Interest on loans are under budget due to the 2019-20 budgeted loan not being drawn down and repayment of other loans when due.
17	Finance costs - Leases	This was budgeted in borrowing costs. As a requirement of the change in accounting standards it's disclosed separately.
18	Other expenses	Favourable variance is due to some programs being postponed due to COVID-19 restrictions including the waste education program for residents and the upgrade of Council laptops and less animals being taken to the pound.

1.2 Capital works

	Budget 2020 \$'000	Actual 2020 \$'000	Variance \$'000	Variance %	Ref
Property					
Land	6,236	22,121	(15,885)	(255%)	1
Total land	6,236	22,121	(15,885)	(255%)	
Buildings	35,738	21,810	13,928	39%	
Building improvements	-	388	(388)	(100%)	
Leasehold improvements	-	26	(26)	(100%)	
Total buildings	35,738	22,224	13,514	38%	2
Total property	41,974	44,345	(2,371)	(6%)	
Plant and equipment					
Plant, machinery and equipment	2,115	1,253	862	41%	3
Fixtures, fittings and furniture	210	168	42	20%	4
Computers and telecommunications	610	16	594	97%	5
Intangible assets	-	124	(124)	(100%)	6
Total plant and equipment	2,935	1,561	1,374	47%	
Infrastructure					
Roads	19,178	9,488	9,690	51%	7
Bridges	702	908	(206)	(29%)	8
Footpaths and cycleways	1,764	1,685	79	4%	
Drainage	450	3,095	(2,645)	(588%)	9
Recreational, leisure and community facilities	8,089	7,533	556	7%	10
Parks, open space and streetscapes	4,332	-	4,332	100%	11
Off street car parks	616	1,002	(386)	(63%)	12
Other infrastructure	2,725	1,127	1,598	59%	13
Total infrastructure	37,856	24,838	13,018	34%	
Total capital works expenditure	82,766	70,744	12,021	15%	
Represented by:					
New asset expenditure	37,629	40,110	(2,481)	(7%)	14
Asset renewal expenditure	18,973	17,250	1,723	9%	15
Asset expansion expenditure	16,927	11,001	5,926	35%	16
Asset upgrade expenditure	9,237	2,383	6,854	74%	17
Total capital works expenditure	82,766	70,744	12,022	15%	

Budget amount includes capital budget for the year and any carried forward capital works that were deferred to 2019-20.

1.2 Capital works (Cont'd)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	Although council settled the property at 10 McMullen Road and received the title in May 2020, payment of \$13.2 million is due over the next two financial years. This resulted in significant variance for 2019-20 as the asset costs were recognised in the current financial year. (Please refer note 5.3 (a)).
2	Buildings	Building projects such as Toomuc Reserve, Female Friendly facilities, Gembrook Reserve and Koo Wee Rup football/cricket pavilion upgrades have been delayed and Council is expected to carryover remaining funds into 2020-21.
3	Plant, machinery and equipment	Delivery was delayed on specialise heavy fleet that was ordered as part of the plant renewal replacement. The budget has been carried over to 2020-21 to fund the delayed purchases.
4	Fixtures, fittings and furniture	Part of the funds budgeted as a part of the Furniture renewal program were realised as savings.
5	Computers and telecommunications	Major item budgeted in this category did not meet the capitalisation criteria and has been expensed in the Income Statement. Some of the expenditure was re-classified to be capitalised under an appropriate area, such as Intangibles.
6	Intangible assets	Software purchases budgeted in computer and telecommunications.
7	Roads	Council budgeted McGregor Road works of \$3m for 2019-20, fully funded through external grants. This project is now being delivered by VicRoads and related funding will not be received by council. Works were delayed on the construction of Kenilworth Avenue to connector road upgrade due to a delay in authority approvals. Sealing the Hills Program will continue to be carried forward into future year due to the scope and extent of the program.
8	Bridges	Actual expenditure includes Toomuc Creek Pedestrian bridge and other bridge upgrades as per the Asset management plan.
9	Drainage	Actual expenditure includes works as part of Peet Street Special Charge Scheme that was budgeted as Roads.
10	Recreational, leisure and community facilities	Council completed major projects such as James Bathe Recreation Reserve, works in Gembrook Playground and Skate park and Deep Creek Reserve. Part of the project costs were budgeted under Parks, Open Space category.
11	Parks, open space and streetscapes	Major item budgeted in this category is Gembrook Playground and Skatepark which has been expended in other areas, including Recreational, leisure and community facilities, Footpaths and Drainage. Playground Renewals expended in Recreational, leisure and community facilities.
12	Off street car parks	Actual expenditure includes car park works at Lang Lang Recreational Facility which was budgeted under Recreational, leisure and community facilities, and Cardinia Cultural Centre which was budgeted in prior years.
13	Other infrastructure	Major item budgeted includes Koo Wee Rup High School sports facilities upgrade not yet expended, and other minor projects not capitalised due to capitalisation thresholds.
14	New asset expenditure	Acquisition of land at McMullen Rd, Officer for \$16.5m, the asset was recognised in 2019-20 in line with the transfer of title. Though the payment is over the two financial years, the project is fully funded from Officer DCP funds.
15	Asset renewal expenditure	Fleet renewal replacement program was delayed due to the delivery of specialised fleet and funds will be carried over to 2020-21.
16	Asset expansion expenditure	Some of the major projects budgeted in 2019-20 including Toomuc reserve and Koo Wee Rup pavilion will be carried over due to delay in project completion. In addition Peet Street development was classified as expansion while the actuals are in new asset expenditure category.
17	Asset upgrade expenditure	Roads Sealing Program delivery of \$3.7m to be carried over into next year as a result of delays in authority approvals.

Note 2 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

2 (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. Income and 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. The division is 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. The 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.

The division seeks to create sustainable and liveable communities for current and future residents of the shire. It works 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 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 aspires to support effective and innovative service outcomes to the Cardinia community through several internal operational support and service functions. People and Culture supports the culture, learning and development of the organisation and people resources. Customer and Service Improvement is the face of interaction with the community, and focus on improving, enhancing and reporting service delivery. Information Services provides the technology tools to meet the functional, security and legislated requirements to deliver these services, whilst Communications focuses on effectively informing, celebrating and promoting the work of Council so that our community is able to access the information it needs.

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

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
2020	\$'000	\$'000	\$'000	\$'000	\$'000
Chief Executive Officer	2,545	3,575	(1,030)	2,544	-
Infrastructure & Environment	67,828	84,968	(17,140)	23,452	1,002,278
Liveable Communities	4,958	22,235	(17,277)	1,624	50,561
Office of the CEO	128,867	10,552	118,315	9,120	879,794
Customer, People & Performance	247	10,344	(10,097)	64	-
	204,445	131,674	72,771	36,804	1,932,633

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
2019	\$'000	\$'000	\$'000	\$'000	\$'000
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

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

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 2019.

The valuation base used to calculate general rates for 2019/20 was \$26,430 million (2018/19 - \$25,134 million). The 2019/20 rate in the CIV dollar was 0.002777 (2018/19 - 0.002726).

General rates	79,743	74,602
Waste management charge	15,040	14,005
Supplementary rates and rate adjustments	613	1,493
Interest on rates and charges	433	729
Cultural and recreational	78	81
Total rates and charges	95,907	90,910

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

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

3.2 Statutory fees and fines

Infringements and costs	435	446
Statutory registration fees	1,204	1,013
Court recoveries	55	38
Town planning fees	895	1,996
Land information certificates	145	132
Permits	1,330	1,682
Total statutory fees and fines	4,064	5,307

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

3.3 User fees

Aged and health services	-	2
Leisure centre and recreation	1,001	1,225
Child care/children's programs	561	298
Parking	29	98
Registration and other permits	639	658
Building services	221	270
Other fees and charges	55	63
Total user fees	2,506	2,614

User fees by timing of revenue recognition

User fees recognised at a point in time	2,506	2,614
Total user fees	2,506	2,614

User fees are recognised as revenue at a point in time.

3.4 Funding from other levels of government

Grants were received in respect of the following:

Summary of grants

Commonwealth funded grants	18,783	17,345
State funded grants	18,021	10,494
Total grants received	36,804	27,839

	2020 \$'000	2019 \$'000
3.4 Funding from other levels of government (Cont'd)		
(a) Operating Grants		
Recurrent - Commonwealth Government		
Financial Assistance Grants	11,017	11,133
Community health	38	188
Family and children	-	2
Recurrent - State Government		
School crossing supervisors	432	405
Maternal and child health	1,181	1,421
Recreation	54	128
Community safety	-	189
Best start	69	117
Community health	71	452
Disability	61	154
Emergency management	60	60
Environment and heritage	749	440
Family and children	195	339
Local infrastructure	-	140
Total recurrent operating grants	<u>13,927</u>	<u>15,168</u>
Non-recurrent - State Government		
Local infrastructure	2,652	430
Total non-recurrent operating grants	<u>2,652</u>	<u>430</u>
Total operating grants	<u>16,579</u>	<u>15,598</u>
(b) Capital Grants		
Recurrent - Commonwealth Government		
Financial Assistance Grant	814	796
Roads to recovery	1,691	1,763
Total recurrent capital grants	<u>2,505</u>	<u>2,559</u>
Non-recurrent - Commonwealth Government		
Local infrastructure	2,983	3,100
Recreation	2,240	363
Non-recurrent - State Government		
Local infrastructure	10,202	1,384
Recreation	2,295	4,835
Total non-recurrent capital grants	<u>17,720</u>	<u>9,682</u>
Total capital grants	<u>20,225</u>	<u>12,241</u>
Total operating and capital grants	<u>36,804</u>	<u>27,839</u>
(c) Unspent grants received on condition that they be spent in a specific manner		
Operating		
Balance at start of year	2,114	1,303
Received during the financial year and remained unspent at balance date	5,752	1,498
Received in prior years and spent during the financial year	(2,114)	(687)
Balance at year end	<u>5,752</u>	<u>2,114</u>
Capital		
Balance at start of year	7,524	5,246
Received during the financial year and remained unspent at balance date	12,064	5,566
Received in prior years and spent during the financial year	(7,524)	(3,288)
Balance at year end	<u>12,064</u>	<u>7,524</u>
Total Unspent grants at year end	<u>17,816</u>	<u>9,638</u>

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

	2020 \$'000	2019 \$'000
3.5 Contributions		
Monetary	18,346	16,408
Non-monetary	40,133	66,270
Total contributions	58,479	82,678

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

Land	7,596	30,466
Buildings	3,376	11
Roads	9,551	12,831
Other infrastructure	18,404	26,163
Other	8	11
Total non-monetary contributions	38,935	69,482

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

3.6 Net loss on disposal of property, infrastructure, plant and equipment

Proceeds of sale	360	1,707
Written down value of assets disposed	(1,258)	(2,943)
Total net loss on disposal of property, infrastructure, plant and equipment	(898)	(1,236)

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

3.7 Net gain on asset revaluation

Roads	-	1,925
Off street car parks	782	(595)
Total net gain on asset revaluation	782	1,330

Net gain on asset revaluation recognised in profit and loss to reverse prior year losses, in line with AASB 116.

3.8 Other income

Interest	1,387	2,548
Cost recoveries	3,507	2,898
Other Rent	529	505
Net Assets impairment reversal	55	-
Other	390	615
Total other income	5,868	6,566

Interest is recognised as it is earned.

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

Note 4 The cost of delivering services

4.1 (a) Employee costs

Wages and salaries	36,604	33,748
WorkCover	716	387
Superannuation	3,273	2,953
Fringe benefits tax	380	353
Other	40	21
Total employee costs	41,013	37,462

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	146	132
	146	132
Employer contributions payable at reporting date.	-	-

	2020	2019
	\$'000	\$'000
4.1 (b) Superannuation (Cont'd)		
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	3,127	2,821
	<u>3,127</u>	<u>2,821</u>
Employer contributions payable at reporting date.	165	127

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

4.2 Materials and services

Contract payments		
- Waste and garbage contracts	13,811	11,297
- Parks and gardens contracts	4,750	4,666
- Library contract	2,165	1,968
- Other contracts	6,426	4,998
Building maintenance	216	350
General maintenance	4,083	3,446
Utilities	2,681	3,059
Office administration	122	132
Information technology	1,941	1,646
Insurance	942	805
Consultants	1,361	827
Materials and services	18,612	15,970
Contractors & temp staff	2,307	2,234
Volunteer services	910	-
Legal	642	934
Cost recoveries	2	46
Total materials and services	<u>60,971</u>	<u>52,378</u>

4.3 Depreciation

Property	5,863	5,569
Plant and equipment	1,811	1,706
Infrastructure	17,006	14,716
Total depreciation	<u>24,680</u>	<u>21,991</u>

4.4 Amortisation - Intangible assets

Software	205	216
Total Amortisation - Intangible assets	<u>205</u>	<u>216</u>

4.5 Amortisation - Right of use assets

Property	71	-
Total Amortisation - Right of use assets	<u>71</u>	<u>-</u>

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

	2020	2019
	\$'000	\$'000
4.6 Bad and doubtful debts		
Local law debtors	192	253
Other debtors	141	66
Total bad and doubtful debts	333	319
Movement in provisions for doubtful debts		
Balance at the beginning of the year	(138)	(448)
New provisions recognised during the year	(163)	(90)
Amounts already provided for and written off as uncollectible	2	100
Amounts provided for but recovered during the year	27	300
Balance at end of year	(272)	(138)

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.

4.7 Borrowing costs

Interest - Borrowings	1,933	2,380
Bank charges	202	215
Total borrowing costs	2,135	2,595

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.

4.8 Finance Costs - Leases

Interest - Lease Liabilities	23	-
Total finance costs	23	-

4.9 Other expenses

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	72	63
Auditors' remuneration - Internal	119	120
Councillors' allowances	318	313
Assets written-off / impaired	-	555
Other	836	1,814
Total other expenses	1,345	2,865

Note 5 Our financial position

5.1 Financial assets

(a) Cash and cash equivalents

Cash on hand	1	9
Cash at bank	15,247	15,284
Term deposits - Council	43,500	24,500
Term deposits - Developer contribution plans	33,000	9,500
Total cash and cash equivalents	91,748	49,293

(b) Other financial assets

Term deposits - Council	2,000	35,000
Term deposits - Developer contribution plans	10,000	27,000
Total other financial assets	12,000	62,000
Total financial assets	103,748	111,293

5.1 Financial assets (Cont'd)	2020 \$'000	2019 \$'000
Council's cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:		
- Trust funds and deposits (Note 5.3 (b))	11,175	12,178
- Developer contribution levy (Note 9.1 (b))	52,105	46,033
Total restricted funds *	<u>63,280</u>	<u>58,211</u>
Total unrestricted cash and cash equivalents	<u>28,468</u>	<u>(8,918)</u>

Intended allocations

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

- Cash held to fund carried forward capital works	25,025	45,860
- Unspent grants (Note 3.4 (c))	17,816	9,638
- Other allocations not subject to external restrictions	964	897
Total funds subject to intended allocations *	<u>43,805</u>	<u>56,395</u>

* It is highly unlikely that settlement of all restricted funds and intended allocations will be required within the next twelve months. In an event there is a shortfall, it would be funded by financial assets and borrowings.

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. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.

(c) Trade and other receivables

Current

Rates debtors	14,284	10,432
Infringement debtors	140	101
Developer contribution plan debtors	3,495	3,804
Net GST receivable	1,739	2,272
Other debtors	4,565	4,776
Provision for doubtful debts - other debtors	(272)	(138)
Total current trade and other receivables	<u>23,951</u>	<u>21,247</u>

Non-current

Statutory receivables

Special rate scheme	4,771	5,459
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Non statutory receivables

Developer contribution plan debtors	7,796	-
Bonds	91	90

Total non-current trade and other receivables	<u>12,658</u>	<u>5,549</u>
Total trade and other receivables	<u>36,609</u>	<u>26,796</u>

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

(d) Ageing of Receivables

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

Current (not yet due)	2,705	3,591
Past due by up to 30 days	206	144
Past due between 31 and 180 days	1,207	941
Past due between 181 and 365 days	381	53
Past due by more than 1 year	66	47
Total trade and other receivables	<u>4,565</u>	<u>4,776</u>

(e) Ageing of individually impaired Receivables

At balance date, other debtors representing financial assets with a nominal value of \$272,291 (2019: \$137,777) were impaired. The amount of the provision raised against these debtors was \$272,291 (2019: \$137,777). 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 up to 30 days	7	-
Past due between 31 and 180 days	19	38
Past due between 181 and 365 days	180	53
Past due by more than 1 year	66	47
Total trade & other receivables	<u>272</u>	<u>138</u>

5.2 Non-financial assets	2020	2019
(a) Inventories	\$'000	\$'000
Inventories held for distribution	11	15
Total inventories	11	15

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

(b) Other assets

Prepayments	1,184	737
Accrued income	310	351
Deposits on asset purchases	1,381	2,192
Total other assets	2,875	3,280

(c) Intangible assets

Software	377	684
Total intangible assets	377	684

	Software
	\$'000
Gross carrying amount	
Balance at 1 July 2019	2,550
Additions from internal developments	-
Other additions	44
Disposals	(406)
Balance at 30 June 2020	2,188
Accumulated amortisation and impairment	
Balance at 1 July 2019	1,899
Amortisation expense	205
Disposals	(213)
Balance at 30 June 2020	1,891
Work in progress at 30 June 2019	33
Work in progress at 30 June 2020	80
Net book value at 30 June 2019	684
Net book value at 30 June 2020	377

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.

	2020 \$'000	2019 \$'000
5.3 Payables		
(a) Trade and other payables		
Trade payables	6,359	15,898
Accrued expenses	6,024	6,870
Other payables - purchase of land	8,558	-
Total current trade and other payables	20,941	22,768
Non-Current		
Trade payables	11,254	8,934
Other payables - purchase of land	8,558	-
Total non-current trade and other payables	19,812	8,934
Total trade and other payables	40,753	31,702
(b) Trust funds and deposits		
Refundable deposits	10,314	11,765
Fire services levy	504	53
Retention	18	-
Sustainable Australia Fund	80	101
Other refundable deposits	259	259
Total trust funds and deposits	11,175	12,178
(c) Unearned income		
Grants received in advance - operating	1,332	-
Grants received in advance - capital	878	-
Developer levies raised in advance	5,365	-
Other	1,358	1,356
Total unearned income	8,933	1,356

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.

Unclaimed bonds are forwarded to the State Revenue Office as unclaimed monies when Council cannot identify or make contact with the owner.

Purpose and nature of items

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

Fire Service Levy - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a 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.

5.4 Interest-bearing liabilities

Current

Borrowings - secured	12,317	12,607
	12,317	12,607

Non-current

Borrowings - secured	20,242	24,557
	20,242	24,557
Total	32,559	37,164

Borrowings are secured by Deed of Charge over general rates.

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

Not later than one year	12,317	12,607
Later than one year and not later than five years	11,098	12,865
Later than five years	9,144	11,692
	32,559	37,164

5.4 Interest-bearing liabilities (Cont'd)

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.

	2020 \$ '000	2019 \$ '000
5.5 Provisions		
Balance at beginning of the financial year	8,351	7,807
Additional provisions	4,286	4,126
Amounts used	(3,377)	(3,366)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	295	(216)
Balance at the end of the financial year	9,555	8,351
Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	3,501	3,032
Long service leave	1,027	948
Sick leave bonus/gratuity	49	60
	4,577	4,040
Current provisions expected to be wholly settled after 12 months		
Long service leave	3,799	3,054
	3,799	3,054
Total current employee provisions	8,376	7,094
Non-current		
Long service leave	1,179	1,257
Total non-current employee provisions	1,179	1,257
Aggregate carrying amount of employee provisions:		
Current	8,376	7,094
Non-current	1,179	1,257
Total aggregate carrying amount of employee	9,555	8,351

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 *	0.87%	1.79%
- wage inflation rate*	4.25%	3.59%

* 2019-20 - Source: Department of Treasury and Finance (issued 1 July 2020). EBA estimates were used for the wage inflation rate in 2018-19.

	2020	2019
	\$'000	\$'000
5.6 Financing arrangements		
The Council has the following funding arrangements in place as at 30 June 2020.		
Bank overdraft	2,000	2,000
Credit card facilities	400	250
Lease facilities	1,978	59
Other facilities	32,556	37,164
Total facilities	36,934	39,473
Used facilities	34,554	37,239
Unused facilities	2,380	2,234

5.7 Commitments

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

2020	Not later	Later than 1	Later than 2	Later than 5	Total
	than 1 year	year and not later than 2 years	years and not later than 5 years	years	
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Recycling	6,815	4,221	9,311	13,149	33,496
Garbage collection	9,132	8,411	10,445	14,272	42,260
Open space management	7,243	7,767	17,109	-	32,119
Consultancies	1,975	549	1,131	583	4,238
Cleaning contracts for council buildings	901	910	1,847	937	4,595
Meals for delivery	1,155	1,178	1,201	-	3,534
Casey Cardinia Library funding	2,414	-	-	-	2,414
Facilities management	429	423	874	-	1,726
Maintenance	3,407	2,882	3,610	1,653	11,552
Health	768	787	937	-	2,492
Utility	1,400	-	-	-	1,400
Other	3,259	935	1,577	141	5,912
Total	38,898	28,063	48,042	30,734	145,738
Capital					
Buildings	8,385	-	-	-	8,385
Roads	3,453	-	-	-	3,453
Drainage	1,603	6,005	-	-	7,608
Land	239	-	-	-	239
Total	13,680	6,005	-	-	19,685

5.7 Commitments (Cont'd)

2019	Not later	Later than 1	Later than 2	Later than 5	Total
	than 1 year	year and not later than 2 years	years and not later than 5 years	years	
	\$'000	\$'000	\$'000	\$'000	\$'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

* 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

5.8 Leases

Policy applicable before 1 July 2019

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

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

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

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

5.8 Leases (Cont'd)

Policy applicable after 1 July 2019

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

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

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

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

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

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

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

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

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

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

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

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

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

Right-of-Use Assets	Property \$'000	Vehicles \$'000	Total \$'000
Balance at 1 July 2019	59	-	59
Additions	22	1,957	1,979
Amortisation charge	(17)	(54)	(71)
Balance at 30 June 2020	64	1,903	1,967

Lease Liabilities	2020 \$'000
Maturity analysis - contractual undiscounted cash	213
Less than one year	825
One to five years	1,306
More than five years	2,344
Total undiscounted lease liabilities as at 30 June:	2,344

Lease liabilities included in the Balance Sheet at 30 June:

Current	154
Non-current	1,824
Total lease liabilities	1,978

5.8 Leases (Cont'd)

Short-term and low value leases

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

	2020
	\$'000
Expenses relating to:	
Short-term leases	116
Leases of low value assets	189
Total	305
Variable lease payments (not included in measurement of lease liabilities)	-

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

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

Payable:

Within one year	286
Later than one year but not later than five years	434
Total lease commitments	720

i. Leases classified as operating leases under AASB 117 Leases

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

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

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

ii. Leases previously classified as finance leases

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

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

Impact on financial statements

On transition to AASB 16 Leases , Council recognised an additional \$59k of right-of-use assets and \$59k of lease liabilities, recognising the difference in retained earnings.

When measuring lease liabilities, Council discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 2.99%.

	2019
	\$'000
Operating lease commitment at 30 June 2019 as disclosed in Council's financial statements	600
Discounted using the incremental borrowing rate at 1 July 2019	(19)
Finance lease liability recognised as at 30 June 2019	581
- Recognition exemption for:	
short-term leases	(3)
leases of low-value assets	(75)
- Lease liability for non-council assets	(503)
- GST excluded on finance lease recognised	(9)
- Operating lease identified 30 June 2019 not disclosed in Council's financial statements	68
	(522)
- Lease liabilities recognised as at 1 July 2019	59

Note 6 Assets we manage	2020	2019
6.1 Non current assets classified as held for sale	\$'000	\$'000
Held at carrying value	3,019	2,768
Total non current assets classified as held for sale	3,019	2,768

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

6.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2019	Additions	Contributions	Prior year adjustments	Revaluation	Depreciation	Disposal	Impairment	Write-off	Transfers to held for sale	Transfers	At Fair Value 30 June 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'001	\$'000	\$'000	\$'000	\$'000
Property	918,949	36,105	10,950	(300)	23,366	(5,863)	(283)	(162)	-	(501)	25,893	1,008,154
Plant and equipment	8,057	1,437	8	-	-	(1,811)	(178)	-	-	-	172	7,685
Infrastructure	681,783	8,450	24,705	3,151	14,673	(17,006)	(604)	467	-	-	18,636	734,255
Work in progress	50,595	24,628	3,273	-	-	-	-	-	(1,228)	-	(44,701)	32,567
	1,659,384	70,620	38,936	2,851	38,039	(24,680)	(1,065)	305	(1,228)	(501)	-	1,782,661

Summary of Work in Progress

	Opening WIP	Additions	Contributions	Write-off	Transfers	Closing WIP
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property	27,687	8,240	21	(381)	(26,002)	9,565
Plant and equipment	148	-	-	-	(148)	-
Infrastructure	22,760	16,388	3,252	(847)	(18,551)	23,002
Total	50,595	24,628	3,273	(1,228)	(44,701)	32,567

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

(a) Property

	Land - specialised	Land - non specialised	Total Land and 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 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 1 July 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
Movements in fair value											
Additions	22,081	-	22,081	-	13,341	269	388	26	14,024	8,240	44,345
Prior year adjustments	(300)	-	(300)	-	-	-	-	-	-	-	(300)
Contributions	7,537	38	7,575	-	42	3,280	53	-	3,375	21	10,971
Revaluation	17,963	(1,950)	16,013	244	7,917	1,321	1,103	416	11,001	-	27,014
Disposal	-	-	-	-	(2,281)	(158)	-	-	(2,439)	-	(2,439)
Write-off	-	-	-	-	-	-	-	-	-	(381)	(381)
Transfers to assets held for sale	(22)	(479)	(501)	-	-	-	-	-	-	-	(501)
Transfers	(758)	758	-	-	25,702	69	122	-	25,893	(26,002)	(109)
Impairment losses recognised in operating result	-	(162)	(162)	-	-	-	-	-	-	-	(162)
	46,501	(1,795)	44,706	244	44,721	4,781	1,666	442	51,854	(18,122)	78,438
Movements in accumulated depreciation											
Depreciation and amortisation	-	-	-	(80)	(4,078)	(336)	(1,320)	(49)	(5,863)	-	(5,863)
Revaluation	-	-	-	(5)	(3,424)	(619)	356	44	(3,648)	-	(3,648)
Accumulated depreciation of disposals	-	-	-	-	1,998	158	-	-	2,156	-	2,156
	-	-	-	(85)	(5,504)	(797)	(964)	(5)	(7,355)	-	(7,355)
At fair value 30 June 2020	450,034	331,312	781,346	7,519	283,547	20,474	27,182	3,933	342,655	9,565	1,133,566
Accumulated depreciation at 30 June 2020	-	-	-	(5,813)	(94,479)	(8,335)	(7,140)	(80)	(115,847)	-	(115,847)
	450,034	331,312	781,346	1,706	189,068	12,139	20,042	3,853	226,808	9,565	1,017,719

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

(b) Plant and Equipment

	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Work In Progress	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2019	12,702	2,744	1,969	148	17,563
Accumulated depreciation at 1 July 2019	(6,491)	(1,784)	(1,083)	-	(9,358)
	6,211	960	886	148	8,205
Movements in fair value					
Additions	1,253	168	16	-	1,437
Contributions	8	-	-	-	8
Disposal	(1,154)	(10)	-	-	(1,164)
Transfers	149	24	(1)	(148)	24
	256	182	15	(148)	305
Movements in accumulated depreciation					
Depreciation and amortisation	(1,458)	(137)	(216)	-	(1,811)
Accumulated depreciation of disposals	980	6	-	-	986
	(478)	(131)	(216)	-	(825)
At fair value 30 June 2020	12,958	2,926	1,984	-	17,868
Accumulated depreciation at 30 June 2020	(6,969)	(1,915)	(1,299)	-	(10,183)
	5,989	1,011	685	-	7,685

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

(c) 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 2019	377,639	87,344	98,161	260,214	55,400	12,318	1,585	22,760	915,421
Accumulated depreciation at 1 July 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
Movements in fair value									
Additions	3,385	237	745	1,473	1,731	799	80	16,388	24,838
Prior year adjustment	-	4,246	-	-	-	-	-	-	4,246
Contributions	9,551	718	3,330	9,624	1,482	-	-	3,252	27,957
Revaluation	18,426	-	2,824	-	-	994	-	-	22,244
Disposal	(193)	(199)	(174)	(108)	(805)	(19)	-	-	(1,498)
Write-off	-	-	-	-	-	-	-	(847)	(847)
Transfers	4,982	1,286	1,312	4,287	6,204	524	41	(18,551)	85
Impairment losses recognised in operating result	365	-	-	79	23	-	-	-	467
	36,516	6,288	8,037	15,355	8,635	2,298	121	242	77,492
Movements in accumulated depreciation									
Depreciation and amortisation	(8,915)	(1,077)	(1,994)	(2,933)	(1,773)	(260)	(54)	-	(17,006)
Prior year adjustment	(6)	(778)	(283)	(16)	-	(12)	-	-	(1,095)
Revaluation	(6,826)	-	(533)	-	-	(212)	-	-	(7,571)
Accumulated depreciation of disposals	83	113	51	20	616	11	-	-	894
Transfers	35	(185)	185	-	(35)	-	-	-	-
	(15,629)	(1,927)	(2,574)	(2,929)	(1,192)	(473)	(54)	-	(24,778)
At fair value 30 June 2020	414,155	93,632	106,198	275,569	64,035	14,616	1,706	23,002	992,913
Accumulated depreciation at 30 June 2020	(115,923)	(31,350)	(21,975)	(40,869)	(21,771)	(3,358)	(410)	-	(235,656)
	298,232	62,282	84,223	234,700	42,264	11,258	1,296	23,002	757,257

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 and substructure	10 - 70 years	10
roads - kerb, channel and minor culverts and other	10 - 70 years	10
roads - formation and earthworks	-	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.

Depreciation and amortisation

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

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

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

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

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

Repairs and maintenance

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

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 30 year period.

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 2020 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
Land - specialised	-	-	450,034	Dec 2019
Land - non specialised	-	331,312	-	Dec 2019
Heritage buildings	-	-	1,706	Dec 2019
Buildings - non specialised	-	-	12,139	Dec 2019
Buildings - specialised	-	-	189,068	Dec 2019
Building improvements	-	-	20,042	Dec 2019
Leasehold improvements	-	-	3,853	Dec 2019
Total	-	331,312	676,842	

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 2020 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
Roads	-	-	298,232	April 2020
Bridges	-	-	62,282	April 2019
Footpaths and cycleways	-	-	84,223	April 2020
Drainage	-	-	234,700	April 2019
Recreational, leisure and community facilities	-	-	42,264	April 2019
Off street car parks	-	-	11,258	April 2020
Total	-	-	732,959	

Impact of COVID 19 on property, infrastructure, plant and equipment valuations

The impacts of COVID-19 increases uncertainties and might have a potential impact on current values which cannot be quantified at this point in time.

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

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 \$10,800 per square metre.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs are calculated on a square metre basis and ranges from \$536 to \$5,773 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 1 year to 60 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.

	2020	2019
	\$'000	\$'000
Reconciliation of specialised land		
Land under roads	204,344	185,581
Parks and reserves	245,690	217,952
Total specialised land	450,034	403,533

	2020 \$'000	2019 \$'000
6.3 Investments in associates, joint arrangements and subsidiaries		
(a) Investments in associates		
Casey Cardinia Library Corporation	1,366	1,331
	<u>1,366</u>	<u>1,331</u>
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 2019/20 (based on the unaudited library statements) is 25.88% (2018/19 - 25.276%).	1,366	1,331
Fair value of Council's investment in Casey Cardinia Library Corporation	<u>1,366</u>	<u>1,331</u>
Council's share of accumulated surplus		
Council's share of accumulated surplus at start of year	794	997
Reported surplus(deficit) for year	51	(132)
Distributions for the year	(16)	(71)
Council's share of accumulated surplus at end of year	<u>829</u>	<u>794</u>
Council's share of reserves		
Council's share of reserves at start of year	537	537
Council's share of reserves at end of year	<u>537</u>	<u>537</u>
Movement in carrying value of specific investment		
Carrying value of investment at start of year	1,331	1,534
Share of surplus(deficit) for year	51	(132)
Distributions received	(16)	(71)
Carrying value of investment at end of year	<u>1,366</u>	<u>1,331</u>
Council's share of expenditure commitments		
Operating commitments	49	75
Council's share of expenditure commitments	<u>49</u>	<u>75</u>

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

Subsidiaries and Associates

Interests in subsidiaries and associates are detailed in Note 6.3.

(b) Key Management Personnel

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

Councillors

Cr Jeff Springfield	(Mayor from 11 November 2019)
Cr Graeme Moore	(Deputy Mayor from 11 November 2019, Mayor until 10 November 2019)
Cr Ray Brown	
Cr Brett Owen	
Cr Leticia Wilmot	
Cr Carol Ryan	
Cr Collin Ross	
Cr Jodie Owen	
Cr Michael Schilling	

Chief Executive Officer and General Managers

Carol Jeffs	(Chief Executive Officer)
Tom McQualter	(Executive Manager - Office of the CEO)
Jenny Scicluna	(General Manager - Customer, People and Performance)
Peter Benazic	(General Manager - Infrastructure and Environment)
Tracey Parker	(General Manager - Liveable Communities)

	2020	2019
	No.	No.
Total Number of Councillors	9	9
Total of Chief Executive Officer and other Key Management Personnel	5	16
Total Number of Key Management Personnel	14	25

(c) Remuneration of Key Management Personnel

	2020	2019
	\$'000	\$'000
Total remuneration of key management personnel was as follows:		
Short-term benefits	1,640	1,785
Long-term benefits	31	36
Post employment benefits	116	133
Termination benefits	-	251
Total	1,787	2,205

The numbers of key management personnel whose total remuneration from Council and any related

	2020	2019
	No.	No.
\$10,000 - \$19,999	-	4
\$20,000 - \$29,999	7	8
\$30,000 - \$39,999	-	1
\$40,000 - \$49,999	-	1
\$50,000 - \$59,999	1	1
\$60,000 - \$69,999	1	2
\$80,000 - \$89,999	-	1
\$100,000 - \$109,999	-	1
\$110,000 - \$119,999	-	1
\$170,000 - \$179,999	-	1
\$210,000 - \$219,999	1	-
\$230,000 - \$239,999	-	1
\$260,000 - \$269,999	-	2
\$270,000 - \$279,999	2	-
\$320,000 - \$329,999	1	-
\$370,000 - \$379,999	1	1
	14	25

Note 7 People and relationships (Cont'd)

(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 \$151,000

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

	2020	2019
Income Range:	No.	No.
< \$151,000	-	7
\$151,000 - \$159,999	2	16
\$160,000 - \$169,999	11	7
\$170,000 - \$179,999	3	-
\$180,000 - \$189,999	5	-
\$190,000 - \$199,999	6	-
\$200,000 - \$209,999	1	-
\$210,000 - \$219,999	1	-
\$220,000 - \$229,999*	1	1
	<u>30</u>	<u>31</u>

	2020	2019
	\$'000	\$'000
Total Remuneration for the reporting year for Senior	5,389	4,831

* 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.

7.2 Related party disclosure

(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	2,165	1,968
Provision of a Mobile Library bus to the Casey Cardinia Library Corporation	35	34
	<u>2,200</u>	<u>2,002</u>

(b) Commitments to/from 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)

	2,414	6,692
	<u>2,414</u>	<u>6,692</u>

Note 8 Managing uncertainties

8.1 Contingent assets and liabilities

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

(a) Contingent assets

Operating lease receivables

The Council has entered into commercial property leases on its 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.

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

	2020	2019
	\$'000	\$'000
Not later than one year	524	573
Later than one year and not later than five years	1,065	1,327
Later than five years	2,596	3,089
	<u>4,185</u>	<u>4,989</u>

(b) Contingent liabilities

Superannuation

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

Future superannuation contributions

In addition to the disclosed contributions, Cardinia Shire Council has not paid unfunded liability payments to Vision Super during the 2019/20. There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2020. At this point in time it is not known if additional contributions will be required, their timing or potential amount. Details of the circumstances which may result in the need to make additional contributions are explained in Note 9.3.

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

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.

MAV Workcare

Council is a participant of the MAV WorkCare Scheme. The MAV WorkCare scheme provides workers compensation insurance. The MAV WorkCare 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.

Note 8 Managing uncertainties (Cont'd)

8.2 Impact of COVID 19 pandemic on Cardinia Shire Council's operations and 2019-20 financial report:

On 30 January 2020, COVID 19 was declared as a global pandemic by world health organisation. Since then, various measures are taken by all three levels of Government in Australia to reduce the spread of COVID-19. This crisis and measures taken to mitigate it has impacted Cardinia Shire Council's operations in the following areas for the financial year ended 30 June 2020:

- The financial impact from deferral of rates revenue/ interest free period is \$197k. This has also resulted in the debtor balance as at 30 June 2020 to increase by \$3.88 million compared to last year. The of rates revenue/ interest free period has been extended to March 2021 and will have an impact on interest income in 2020/21. the amounts are not quantified.
- In response to the restrictions during the COVID-19 lockdown, Council leisure facilities were closed, which are run by an external provider. These closures resulted in loss of income for the service provider, which resulted in council to pay an amount of \$552k to our contractor as a part of organisation's minimum guaranteed income. Council will have to make further minimum payments due to the continued closure of facilities which can not be quantified at this point in time.
- Restrictions affected the loss of income due to the closure of several council facilities. The loss of hire income from these facilities, which include the Cardinia Culture Centre, Emerald lake facilities hire and associated parking income is estimated to be \$80k.
- As a part of business relief package, council offered a 3-month rebate (25%) on fees for Health registrations and street trading permits, which has costed \$10k so far for 2019/20 with applications continuing post 30 June.
- Eligible commercial tenants were provided with rental deferrals from April to June, with some business being provided with rental waivers that costed the organisation \$30k.
- As a part of commitment to its workforce Council offered staff upto 10 days of COVID leave, which costed the organisation \$125k in 2019/20.
- As a part of business support during COVID-19, Council is making payments on a weekly basis and ensuring there are no delays in the payment process to suppliers and contractors. This is partly visible with council payables for 2019/20 being \$1.83 million lower than prior financial year.
- Council is expecting approximately \$3 million from the *Working for Victoria scheme* announced by the Victorian Government. The final submission hasn't been lodged yet. However this would be spent by providing approximately 61 jobs.
- Council is offering rate rebates of \$50 per property for eligible Health Care Card holders in 2020-21 post balance date, the total amount which is unknown at this time. The interest free period is expected to continue for 2020-21 at a cost of \$195k for the first quarter.
- Community grants of \$5k each has been announced and the estimated cost to the council is approximately \$72k.
- Reduction in local laws, animal control and enforcement related statutory fees and fines is estimated to be \$70k.
- Increases in various materials and services expenditure is estimated to be \$117k.
- Reduction in development and planning related statutory fees and fines of approximately \$500k.
- A dedicated team has been established from various departments in the council as a part of Business Continuity Planning. This has resulted in additional staff costs due to acting arrangements. Council has identified this as a priority to ensure fulfilment of regulation and requirements.
- If the current situation continues to prevail Council may incur further costs which cannot be estimated or quantified at this point in time.

8.3 Change in accounting standards (AAS's)

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

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

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

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

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

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

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

Note 8.3 Change in accounting standards (Cont'd)

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

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

8.4 Financial instruments

(a) Objectives and policies

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

(b) Market risk

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

Interest rate risk

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

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

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

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

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

(c) Credit risk

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

- council 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.

8.4 Financial instruments (Cont'd)

(d) Liquidity risk

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

- have an investment policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and

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.

(e) Sensitivity disclosure analysis

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

- A parallel shift of +0.75% and -0.75% in market interest rates (AUD) from year-end rates of 0.5% and 1.92%.

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.

8.5 Fair value measurement

Fair value hierarchy

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

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

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

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

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

8.5 Fair value measurement (Cont'd)

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.

8.6 Events occurring after balance date

State of Emergency was declared on 16 March 2020 and has been extended until 13 September 2020 with a possibility of further extension. Victoria's State of Disaster was declared on 2 August 2020. Impact of these restriction post balance sheet date are disclosed in note 8.2 above. The overall impact can not be estimated due to uncertainty and ongoing nature of COVID 19.

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

Note 9 Other matters

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
9.1 Reserves			
(a) Asset revaluation reserves			
2020			
Property			
Land and land improvements	393,535	16,014	409,549
Buildings	78,140	7,353	85,493
	471,675	23,367	495,042
Infrastructure			
Roads	14,891	11,600	26,491
Bridges	28,982	-	28,982
Drainage	97,672	(1)	97,671
Footpaths and cycleways	18,218	2,291	20,509
Recreational, leisure and community facilities	3,687	-	3,687
	163,450	13,890	177,340
Total asset revaluation reserves	635,125	37,257	672,382
2019			
Property			
Land and land improvements	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
Drainage	87,545	10,127	97,672
Footpaths and cycleways	17,731	487	18,218
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

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

9.1 Reserves (Cont'd)

	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000	Ref
(b) Other reserves					
2020					
Developer contribution levy	46,033	14,027	(7,955)	52,105	1
Community Facilities levy	3,061	110	-	3,171	2
Public Open Space levy	9,849	2,960	(500)	12,309	3
Native vegetation	648	17	(68)	597	4
Decorative Light Poles	864	18	(94)	788	5
Landscapes	261	94	(103)	252	6
Replacement Planting Scheme	-	4	-	4	
Total Other reserves	60,716	17,230	(8,720)	69,226	
2019					
Developer contribution levy	46,833	11,462	(12,262)	46,033	
Community Facilities levy	3,214	1,538	(1,691)	3,061	
Public Open Space levy	7,370	3,350	(871)	9,849	
Native vegetation	719	26	(97)	648	
Decorative Light Poles	817	188	(141)	864	
Landscapes	317	128	(184)	261	
Total Other reserves	59,270	16,692	(15,246)	60,716	
Ref	Item	Description			
1	Developer levy	This reserve is the balance of the cash levies paid to Council 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. These funds are restricted and required to be held in a separate bank accounts.			
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. There is no legal requirement to restrict these funds or hold in a separate bank account.			
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.			
				2020	2019
				\$'000	\$'000
(c) Adjustments directly to equity					
Correction of prior year error in Property, infrastructure, plant and equipment *				2,851	460
Total adjustments directly to equity				2,851	460

* A detailed breakdown is provided in note 6.2

	Note	2020 \$'000	2019 \$'000
9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)			
Surplus for the year		72,771	97,979
Depreciation/amortisation		24,956	22,207
Proceeds from sale of assets - investing activity, not operating activity	3.6	(360)	(1,707)
Written down book value (WDBV) of assets sold - non-cash	3.6	1,258	2,943
Opening work in progress write off	6.2	1,228	-
Contributions - non-monetary	3.5	(40,133)	(66,270)
Volunteer services	4.2	910	
Interest costs - financing, not operating activity		2,158	2,595
Share of net (gain)/loss of associates - non-cash		(35)	203
Impairment (gain)/loss - non-cash	3.8	(55)	555
Net asset revaluation (increment)/decrement	3.7	(782)	(1,330)
<i>Change in assets and liabilities:</i>			
(Increase)/decrease in trade and other receivables		(9,934)	2,177
(Increase)/decrease in prepayments		(447)	(1,581)
(Increase)/decrease in accrued income		41	74
Increase/(decrease) in trade and other payables		9,051	12,611
Increase/(decrease) in other liabilities		(1,003)	1,119
(Increase)/decrease in inventories		4	11
Increase/(decrease) in provisions		1,204	543
Increase/(decrease) in income in advance		2,212	44
Net cash provided by operating activities		63,044	72,173

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

Defined Benefit

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

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of 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

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

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

As at 30 June 2019, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Cardinia Shire Council is a contributing employer was 107.1%. The financial assumptions used to calculate the VBIs were:

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

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

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

Employer contributions

Regular contributions

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

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

9.3 Superannuation (Cont'd)

Funding calls

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

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall.

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

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

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

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

The 2019 interim actuarial investigation surplus amounts

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

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

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

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

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

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

The 2020 triennial actuarial investigation

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

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

Superannuation contributions

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

Scheme	Type of Scheme	Rate	2020 \$,000	2019 \$,000
Vision super	Defined benefit	9.50%	146	132
Vision super	Accumulation fund	9.50%	3,127	2,821

Cardinia Shire Council has no unfunded liability payments to Vision Super during both 2019/20 and 2018/19 year.

10 Change in accounting policy

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

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

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

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

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

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

During the year, \$2.2 million in grants have been recognised in the balance sheet as income in advance as Council has not met the performance obligations under the contract by 30 June 2020.

b) AASB 16 Leases

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

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

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

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

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

Non-monetary contributions include volunteer service income of \$910k which has been offset by volunteer service expenditure included in materials and services.

d) Transition impacts

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

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

	As reported 30 June 2019	Adjustments	Post adoption
	\$'000	\$'000	\$'000
Assets			
Right of use assets	-	59	59
	-	59	59
Liabilities			
Lease liability - current	-	(7)	(7)
Lease liability - non-current	-	(52)	(52)
	-	(59)	(59)

2019–20 Performance statement



Description of municipality

Cardinia Shire is one of the fastest growing local government areas in Victoria with an average of five families moving into the area every day. As of 2020, Cardinia Shire's estimated population is 120,559 and is expected to increase by approximately 54,733 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.

Impact of COVID-19 on municipality

The outbreak of coronavirus disease 2019 (COVID-19) has created a global health crisis that has had a significant impact on Cardinia Shire's local community groups and businesses. Since the first stage of restrictions for Victoria were announced on 22 March 2020, all non-essential activities at the Shire's local recreation reserves, aquatic facilities, libraries, community centres, neighbourhood houses, senior citizen centres, U3As, community halls and integrated facilities were forced to cease, with community recreation and social activities deemed non-essential.

While some facilities have been permitted to reopen under specific conditions, in line with the State Government's staged approach since 20 April 2020, the widespread closures have already had, and will continue to have, a significant impact on the financial viability of many of the community groups who use and manage these facilities.

Facilities which had reopened were then forced to close again with the re-introduction of stage 3 'stay at home' restrictions for metropolitan Melbourne and Mitchell Shire for a six week period from Thursday 9 July 2020. This was further extended to stage 4 restrictions from Sunday 2 August 2020, Victoria's State of Disaster is in place until 13 September 2020.

In a time when the physical and mental health of residents, and social and community cohesion, has never been more important, it is crucial that Council continues to support the operational viability of these groups. Financial assistance during this time will support the Shire's clubs, committees of management, community groups and commercial tenants through the COVID-19 state of emergency period and beyond, to ensure they are equipped to recommence the delivery of their activities to the community following the lifting of restrictions.

Local businesses within the Shire have suffered significant financial losses as a result of the enforced COVID-19 restrictions. The full impact of the COVID-19 pandemic on local businesses, ratepayers and residents has not yet been realised, and it is critical that Council continues to support the community through targeted relief measures.

Sustainable capacity indicators

	Indicator	2017	2018	2019	2020	Material variation
Population	<i>Expenses per head of municipal population</i> [Total expenses/ Municipal population]	\$1,066.38	\$1,037.72	\$1,113.36	\$1,174.00	
	<i>Infrastructure per head of municipal population</i> [Value of infrastructure/ Municipal population]	\$7,754.53	\$7,933.85	\$8,614.11	\$8,927.64	
	<i>Population density per length of road</i> [Municipal population/kilometres of local roads]	62.62	66.05	68.10	70.63	
Own-source revenue	<i>Own-source revenue per head of municipal population</i> [Own-source revenue/Municipal population]	\$1,009.42	\$959.62	\$996.32	\$973.28	

	Indicator	2017	2018	2019	2020	Material variation
Recurrent grants	<i>Recurrent grants per head of municipal population</i> [Recurrent grants/Municipal population]	\$211.98	\$163.54	\$165.49	\$146.51	<p>Recurrent grants have decreased by 7.3% from 2018-19, mainly in operating grants, whereas municipal population has increased by 4.7%, resulting in an overall decrease.</p> <p>The 2016-17 figure is inflated due to the timing of the Victoria Grants Commission (VGC) grant. In 2016-17, 100% of the 2016-17 VGC grant plus approximately 50% of the 2017-18 VGC grant was received in advance. Since that time, only approximately 50% of the current year's VGC grant plus approximately 50% of the following year's VGC grant has been received each year. The 2019-20 figure is lower due to the new accounting standard requiring the unspent portion of grants to be moved to the balance sheet. These two factors combined, coupled with existing funding agreements ceasing and new funding agreements starting, have resulted in the decreasing trend over the last four years.</p>
Disadvantage	<i>Relative socio-economic disadvantage</i> [Index of relative socio-economic disadvantage by decile]	8.00	8.00	8.00	8.00	

	Indicator	2017	2018	2019	2020	Material variation
Workforce turnover	Percentage of staff turnover [Number of permanent staff resignations and terminations/Average number of permanent staff for the financial year] x100	10.50%	13.25%	10.01%	12.75%	<p>Council is committed to efficiency and high levels of customer service and is therefore in a process of constant analysis and review to increase productivity and sustainability. Organisational and departmental realignments, retirements and pursuit of career progression opportunities have resulted in a slightly higher turnover than the previous year. A number of new positions, designed to respond to service priorities and demand, were created during the reporting period.</p> <p>This indicator was relocated from the Financial Performance Indicator section in 2020.</p>

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	2017	2018	2019	2020	Material variation
Aquatic facilities	Utilisation <i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities/Municipal population]	6.26	7.06	6.93	4.78	Visits have significantly decreased as the centre was closed for over 2 months due to COVID-19. The centre briefly re-opened but was restricted in attendances and no gym or stadium competitions were run.
Animal management	Health and safety <i>Animal management prosecutions</i> [Number of successful animal management prosecutions]	26	26	14	Retired Indicator	Indicator was retired in 2020. Refer to replacement indicator below.
Animal management	Health and safety <i>Animal management prosecutions</i> [Number of successful animal management prosecutions/Total number of animal management prosecutions] x100	New in 2020	New in 2020	New in 2020	100%	

Service	Indicator	2017	2018	2019	2020	Material variation
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 outcome notifications about a food premises followed up/Number of critical non-compliance outcome notifications and major non-compliance outcome notifications about a food premises] x100	100%	100%	100%	100%	
Governance	Satisfaction <i>Satisfaction with Council decisions</i> [Community satisfaction rating out of 100 with the performance of Council in making decisions in the interest of the community]	53	53	54	51	

Service	Indicator	2017	2018	2019	2020	Material variation
Libraries	<p>Participation <i>Active library borrowers in the municipality</i> [The sum of the number of active library borrowers in the last 3 financial years/The sum of the municipal population in the last 3 financial years] x100</p>	12.44%	11.34%	10.39%	10.14%	Municipal population continues to grow. Casey Cardinia Libraries has increased the hours of library operations in Cardinia to try and meet community needs. However, the number of service points (Pakenham and Emerald libraries plus the Mobile Library) have not changed in a decade. While physical collection usage remains stable, there has been an increase in use of digital collections, library programs and other services, which is not reflected in the Active Borrower measurement.
Maternal and Child Health (MCH)	<p>Participation <i>Participation in the MCH service</i> [Number of children who attend the MCH service at least once (in a year)/Number of children enrolled in the MCH service] x100</p>	74.52%	76.14%	76.70%	76.80%	

Service	Indicator	2017	2018	2019	2020	Material variation
Maternal and Child Health (MCH)	<p>Participation <i>Participation in the MCH service by Aboriginal children</i> [Number of Aboriginal children who attend the MCH service at least once (in a year)/Number of Aboriginal children enrolled in the MCH service] x100</p>	71.86%	69.38%	79.71%	84.98%	<p>Over time we have had several staff attend education regarding the challenges faced by aboriginal families and how to engage them more successfully in our service and make our service more culturally inclusive. This knowledge has then been shared across the team. There has been a focus on ensuring Aboriginal families are up to date with their key ages and stages, including attempts made by nurses to make contact and arrange appointments when missed or overdue</p> <p>With around 180 children identified in the service aged 0-6 years and data kept on participation at the 10 key ages and stages, which finish at 3.5 years, not all clients will be eligible for a consultation in each calendar year (eg between the 2 and 3.5 KAS or after the 3.5 KAS). This is a small cohort, meaning that small changes in raw figures easily skew the percentages. For that reason, the drop from 2017 to 2018 of 2.48% is not statistically significant, as a change in raw figures of approximately 4 children would result in this change in the percentages.</p> <p>The rise in participation 2019 and 2020 is possibly related to the education provided to staff, as mentioned above.</p>

Service	Indicator	2017	2018	2019	2020	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]	54	55	58	52	The decrease in satisfaction aligns with the increase in sealed local road requests. In addition, we have observed overall dissatisfaction with condition of state managed roads. The overall condition of council's sealed road network is managed to provide the best outcome for users over the long term.
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	50.00%	33.33%	100%	0%	VCAT was not required to make any decisions during this year, as all filed review applications were resolved by consent, or withdrawn prior to determination. The trends for this indicator vary significantly, but the total number of decisions in any given year is a very small sample size (single figures). The circumstances of each instance, and the VCAT decision are highly fact-specific and variable.
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	47.00%	47.62%	42.14%	43.55%	As a result of additional community education and promotion this has led to a positive increase in green waste diverted from landfill. The volatility in the recycling sector and Council having sent a large portion of our recyclable material at times to landfill over the last 2-3 years.

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 borrower” 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
	2017	2018	2019	2020	2021	2022	2023	2024	
Efficiency									
Expenditure level <i>Expenses per property assessment</i> [Total expenses/Number of property assessments]	\$2,456.66	\$2,457.96	\$2,625.62	\$2,800.87	\$2,614.38	\$2,588.48	\$2,593.17	\$2,596.06	Small trending decrease over the forecast period is due to total expenses increasing at a slower rate than total assessments.
Revenue level <i>Average residential rate per residential property assessment</i> [Residential rate revenue/Number of residential property assessments]	\$1,800.99	\$1,835.05	\$1,785.02	Retired indicator	Retired indicator	Retired indicator	Retired indicator	Retired indicator	Indicator was retired in 2020. Refer to replacement indicator below.
Revenue level <i>Average rate per property assessment</i> [General rates and Municipal charges /Number of property assessments]	New in 2020	New in 2020	New in 2020	\$1,710.92	\$1,702.89	\$1,728.91	\$1,741.51	\$1,758.91	New indicator this year - forecast figures differ from those in 2020-21 budget document due to differing calculation methodologies. Methodology per LGPRF is (General Rates plus Supplementary Rates) divided by Total Assessments, whereas methodology per Budget document is General Rates divided by Total Assessments. Increase in forecast period is due to general and supplementary rate income increasing at a faster rate than total assessments.

Indicator	Result				Forecasts				Material variation
	2017	2018	2019	2020	2021	2022	2023	2024	
Liquidity									
Working capital <i>Current assets compared to current liabilities</i> [Current assets/Current liabilities] x100	291.58%	350.97%	247.49%	215.85%	231.99%	201.09%	220.95%	188.35%	Reduction in 2019-20 is due to a 3.6% decrease in current assets, mainly due to a lower total lower cash, cash equivalents and other financial assets balance, combined with a 10.5% increase in current liabilities, primarily due to inclusion of other current liabilities such grant and other income recognised in advance. Decrease over the forecast period is due to current assets trending lower over the four years, mainly in trade and other receivables.
Unrestricted cash <i>Unrestricted cash compared to current liabilities</i> [Unrestricted cash/Current liabilities] x100	48.04%	-8.79%	-50.41%	-23.22%	-35.86%	-64.28%	-72.08%	-62.44%	The improvement in 2019/20 was due to lower capital carried forward and maintaining higher cash and cash equivalents balance by drawing down investment funds to mitigate COVID19 cashflow impacts. The forecast results are primarily due to reducing cash and cash equivalents balance, as long-term investments are maximised, and reducing current liabilities.

Indicator	Result				Forecasts				Material variation
	2017	2018	2019	2020	2021	2022	2023	2024	
Obligations									
Loans and borrowings <i>Loans and borrowings compared to rates</i> [Interest bearing loans and borrowings/Rate revenue] x100	59.72%	49.51%	40.88%	33.95%	39.67%	33.98%	29.47%	25.57%	Loan balances reduced in 2019-20 from 2018-19 due to repayment of existing loans when due and no new loan drawn down, combined with higher total rate revenue. Increase in first year of forecast period reflects new loan to be drawn down, then reducing due to no further new loans forecast.
Loans and borrowings <i>Loans and borrowings repayments compared to rates</i> [Interest and principal repayments on interest bearing loans and borrowings/Rate revenue] x100	10.49%	10.13%	7.82%	6.71%	6.72%	5.47%	4.58%	3.89%	Repayment of loans and associated finance costs have increased by 2% from 2018-19 due to repayment of loans as and when due, whereas rate revenue has increased by 5.5% from 2018-19, resulting in an overall decrease. Increase in first year of forecast period reflects repayments of new loan forecast to be drawn down, then reducing due to no further new loans forecast.

Indicator	Result				Forecasts				Material variation
	2017	2018	2019	2020	2021	2022	2023	2024	
Indebtedness <i>Non-current liabilities compared to own-source revenue</i> [Non-current liabilities/Own-source revenue] x100	58.21%	49.21%	32.56%	39.44%	41.70%	36.48%	32.63%	22.45%	Non-current liabilities balance has increased by 23.9% from 2018-19 due to higher other non-current liabilities (creditors and lease incentives), whilst own source revenue has remained relatively stable, only increasing by 2.3%. The decrease in the forecast period from 2021-22 is due to total non-current liabilities decreasing each year, mainly in interest bearing loans and borrowings, whilst own source revenue increases each year as total revenue increases.
Asset renewal <i>Asset renewal compared to depreciation</i> [Asset renewal expense/Asset depreciation] x100	31.54%	47.58%	40.95%	Retired indicator	Retired indicator	Retired indicator	Retired indicator	Retired indicator	Indicator was retired in 2020. Refer to replacement indicator below.

Indicator	Result				Forecasts				Material variation
	2017	2018	2019	2020	2021	2022	2023	2024	
Asset renewal and upgrade <i>Asset renewal and upgrade compared to depreciation</i> [Asset renewal and asset upgrade expense/Asset depreciation] x100	New in 2020	New in 2020	New in 2020	79.55%	96.52%	131.87%	154.31%	169.52%	New indicator this year - forecast figures differ from those in 2020-21 budget document due to differing calculation methodologies. Methodology per LGPRF is (Renewal plus Upgrade) divided by Depreciation, whereas methodology per Budget document is (Renewal including carryovers plus Upgrade including carryovers) divided by Depreciation & Amortisation. Increase over the forecast period is due to both total renewal and upgrade expenditure and depreciation expense increasing each year.

Indicator	Result				Forecasts				Material variation
	2017	2018	2019	2020	2021	2022	2023	2024	
Operating position									
Adjusted underlying result <i>Adjusted underlying surplus (or deficit)</i> [Adjusted underlying surplus (deficit)/Adjusted underlying revenue] x100	13.09%	7.94%	4.76%	-2.54%	-0.46%	1.95%	1.70%	1.78%	An underlying deficit of \$3.3m in 2019-20 compares unfavourably to a \$6.0m underlying surplus in 2018-19, being a \$9.3m or 155% difference, whereas underlying revenue has remained relatively stable with a \$3.2m or 2.5% increase. The actual underlying deficit in 2019-20 of \$3.3m is mainly due to the impact of new AASB15 reducing grant revenue recognised and to higher materials and services expenditure for capital works that could not be capitalised. The increasing trend in the forecast years is due to a forecast underlying deficit in the first year followed by consecutive surpluses, together with underlying revenue increasing each year.

Indicator	Result				Forecasts				Material variation
	2017	2018	2019	2020	2021	2022	2023	2024	
Stability									
Rates concentration <i>Rates compared to adjusted underlying revenue</i> [Rate revenue/Adjusted underlying revenue] x100	67.20%	72.85%	72.59%	74.69%	78.61%	78.38%	78.71%	79.06%	Total rates revenue increased in 2019-20 from 2018-19 due to increased revenue from general rates and waste management charges, partly offset by decreased revenue from supplementary rates and interest on rates and charges. For the same period, underlying revenue has increased at a lower rate than rates revenue due to the sources of underlying revenue being more stable than rates revenue. Increases in total rates revenue over the forecast period is mainly a result of an increase in general rates due to growth.
Rates effort <i>Rates compared to property values</i> [Rate revenue/Capital improved value of rateable properties in the municipality] x100	0.42%	0.43%	0.35%	0.35%	0.35%	0.36%	0.36%	0.36%	

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 2020.

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 15 June 2020 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: 21 September 2020

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

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

At the date of signing, we are not aware of any circumstances that would render 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: 21 September 2020

Ray Brown
Councillor
Dated: 21 September 2020

Carol Jeffs
Chief Executive Officer
Dated: 21 September 2020