

## FINANCIAL REPORTS

### 8 **FINANCIAL REPORT AND PERFORMANCE STATEMENT**

FILE REFERENCE INT1760607

RESPONSIBLE GENERAL MANAGER Derek Madden

AUTHOR Joanne Harris

#### RECOMMENDATION

That:

1. Pursuant to Sections 131(7) and 132(6) of the Local Government Act 1989, council approve the Financial Report and Performance Statement for the year ending 30 June 2017, subject to any changes recommended or agreed to by the auditor
2. Pursuant to Sections 131(8) and 132(7) Council authorises Crs Leticia Wilmot and Brett Owen to sign the report and statement in their final form after any changes recommended or agreed to by the auditor have been made; and
3. The Chief Finance Officer, Jo Harris, be appointed as the Principal Accounting Officer for the purposes of Section 131(13)(c) of the Local Government Act.

#### Attachments

- 1 Draft Financial and Performance statements 61 Pages

#### EXECUTIVE SUMMARY

To approve the Financial Report and Performance Statement for the year ended 30 June 2017 and authorise Crs Wilmot and Brett Owen as the Audit Committee representatives to sign the documents in their final form after any changes recommended or agreed to by the auditors have been made.

#### BACKGROUND

Council is required to prepare an Annual Report in respect to the financial year ended 30 June 2017. 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 Financial Report and Performance Statement in their final form after any changes recommended, or agreed to, by the Auditor have been made, it is recommended that the Audit Committee members Crs Wilmot and Brett Owen be the councillors authorised to sign these documents.

The documents were considered by the by the Audit Committee at its meeting on 8 September 2017.

The documents (as part of the Council's Annual Report) will be lodged with the Minister for Local Government by 30 September 2017 as required by Section 131(6) of the Local Government Act 1989.

Section 131(10) of the Local Government Act 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 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 16 October 2017 and appropriate public notification will be given.

## **CONCLUSION**

It is recommended that Council approve the Financial Report and Performance Statement and authorise Crs Wilmot and Brett Owen to sign the documents in their final form.

**CARDINIA SHIRE COUNCIL  
ANNUAL FINANCIAL REPORT**

*For the Year Ended 30 June 2017*

**Cardinia Shire Council**  
**Financial Report**  
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Cardinia Shire Council  
2016/2017 Financial Report

**Comprehensive Income Statement  
For the Year Ended 30 June 2017**

	Note	2017 \$'000	2016 \$'000
<b>Income</b>			
Rates and charges	3	79,147	73,921
Statutory fees and fines	4	4,583	3,798
User fees	5	2,844	2,740
Grants - operating	6	17,164	7,279
Grants - capital	6	9,544	12,486
Contributions - monetary	7	30,596	11,460
Contributions - non monetary	7	51,587	46,688
Net gain on asset revaluation	9	1,961	3,972
Net gain on disposal of property, infrastructure, plant and equipment	8	3,693	-
Share of net gain of associates	17	5	159
Other income	10	4,663	6,381
<b>Total income</b>		<b>205,787</b>	<b>168,884</b>
<b>Expenses</b>			
Employee costs	11(a)	(32,074)	(31,069)
Materials and services	12	(44,434)	(42,475)
Bad and doubtful debts	13	(161)	(168)
Depreciation and amortisation	14	(19,681)	(18,483)
Borrowing costs	15	(3,279)	(3,738)
Contributions - monetary	7	(7,794)	-
Contributions - non monetary	7	(5,918)	-
Net loss on disposal of property, infrastructure, plant and equipment	8	-	(351)
Other expenses	16	(2,735)	(2,289)
<b>Total expenses</b>		<b>(116,076)</b>	<b>(98,573)</b>
<b>Surplus for the year</b>		<b>89,711</b>	<b>70,311</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to surplus or deficit in future periods</b>			
Net asset revaluation increment	30 a	100,990	31,743
<b>Total comprehensive result</b>		<b>190,701</b>	<b>102,054</b>

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

Cardinia Shire Council  
2016/2017 Financial Report

**Balance Sheet**  
**As at 30 June 2017**

	Note	2017 \$'000	2016 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	18	63,199	23,470
Trade and other receivables	20	22,670	25,963
Other financial assets	19	28,000	27,833
Inventories	21	5	13
Assets classified as held for sale	22	-	8,726
Other assets	23	2,331	647
<b>Total current assets</b>		<b>116,205</b>	<b>86,652</b>
<b>Non-current assets</b>			
Trade and other receivables	20	5,671	1,281
Investments in associates	17	1,596	1,591
Property, infrastructure, plant and equipment	24	1,148,685	986,290
Intangible assets	25	638	669
<b>Total non-current assets</b>		<b>1,156,590</b>	<b>989,831</b>
<b>Total assets</b>		<b>1,272,795</b>	<b>1,076,483</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	26	17,174	16,532
Trust funds and deposits	27	11,332	9,896
Provisions	28	6,347	5,555
Interest-bearing loans and borrowings	29	5,001	4,765
<b>Total current liabilities</b>		<b>39,854</b>	<b>36,748</b>
<b>Non-current liabilities</b>			
Trade and other payables	26	12,896	6,155
Provisions	28	1,245	1,909
Interest-bearing loans and borrowings	29	42,265	47,521
<b>Total non-current liabilities</b>		<b>56,406</b>	<b>55,585</b>
<b>Total liabilities</b>		<b>96,260</b>	<b>92,333</b>
<b>Net assets</b>		<b>1,176,535</b>	<b>984,150</b>
<b>Equity</b>			
Accumulated surplus		707,400	630,326
Reserves	30	469,135	353,824
<b>Total Equity</b>		<b>1,176,535</b>	<b>984,150</b>

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

Cardinia Shire Council  
2016/2017 Financial Report

**Statement of Changes in Equity  
For the Year Ended 30 June 2017**

	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
<b>2017</b>					
Balance at beginning of the financial year		984,150	630,326	317,940	35,884
Other adjustments to opening balances	30(c)	1,684	1,684	-	-
Surplus for the year		89,711	89,711	-	-
Net asset revaluation increment	30(a)	100,990	-	100,990	-
Transfers to other reserves	30(b)	-	(28,748)	-	28,748
Transfers from other reserves	30(b)	-	14,427	-	(14,427)
<b>Balance at end of the financial year</b>		<b>1,176,535</b>	<b>707,400</b>	<b>418,930</b>	<b>50,205</b>

		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
<b>2016</b>					
Balance at beginning of the financial year		880,952	566,351	286,197	28,404
Other adjustments to opening balances		1,144	1,144	-	-
Surplus for the year		70,311	70,311	-	-
Net asset revaluation increment	30(a)	31,743	-	31,743	-
Transfers to other reserves	30(b)	-	(11,187)	-	11,187
Transfers from other reserves	30(b)	-	3,707	-	(3,707)
<b>Balance at end of the financial year</b>		<b>984,150</b>	<b>630,326</b>	<b>317,940</b>	<b>35,884</b>

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

Cardinia Shire Council  
2016/2017 Financial Report

**Statement of Cash Flows  
For the Year Ended 30 June 2017**

	Note	2017 Inflows/ (Outflows) \$'000	2016 Inflows/ (Outflows) \$'000
<b>Cash flows from operating activities</b>			
Rates and charges		78,108	73,019
Statutory fees and fines		4,908	4,058
User fees		3,924	3,215
Grants - operating		16,789	7,441
Grants - capital		9,533	12,914
Contributions - monetary		23,075	14,039
Interest received		1,362	1,400
Trust funds and deposits taken and repaid		1,508	4,482
Other receipts		3,485	5,306
Net GST refund/payment		5,439	4,775
Employee costs		(32,020)	(30,776)
Materials and services		(55,106)	(47,714)
<b>Net cash provided by operating activities</b>	31	<b>61,005</b>	<b>52,159</b>
<b>Cash flows from investing activities</b>			
Payments for property, infrastructure, plant and equipment	24	(23,634)	(25,905)
Proceeds from sale of property, infrastructure, plant and equipment		10,823	2,128
Payments for investments		(18,000)	(6,500)
Proceeds from sale of investments		13,501	2,767
<b>Net cash used in investing activities</b>		<b>(17,310)</b>	<b>(27,510)</b>
<b>Cash flows from financing activities</b>			
Finance costs		(3,279)	(3,738)
Repayment of borrowings		(5,020)	(9,752)
<b>Net cash provided by/(used in) financing activities</b>		<b>(8,299)</b>	<b>(13,490)</b>
Net increase in cash and cash equivalents		35,396	11,159
Cash and cash equivalents at the beginning of the financial year		27,803	16,644
<b>Cash and cash equivalents at the end of the financial year</b>	18	<b>63,199</b>	<b>27,803</b>
Financing arrangements	32		
Restrictions on cash assets	18		

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



Cardinia Shire Council  
2016/2017 Financial Report

**Statement of Capital Works  
For the Year Ended 30 June 2017**

	Note	2017 \$'000	2016 \$'000
<b>Property</b>			
Land		5,451	3,098
<b>Total land</b>		<b>5,451</b>	<b>3,098</b>
<b>Buildings</b>			
Buildings		6,673	6,634
Heritage Buildings		22	827
Building improvements		83	271
<b>Total buildings</b>		<b>6,778</b>	<b>7,732</b>
<b>Total property</b>		<b>12,229</b>	<b>10,830</b>
<b>Plant and equipment</b>			
Plant, machinery and equipment		1,013	1,291
Fixtures, fittings and furniture		19	37
Computers and telecommunications		21	103
<b>Total plant and equipment</b>		<b>1,053</b>	<b>1,431</b>
<b>Infrastructure</b>			
Roads		2,512	8,972
Bridges		1,324	705
Footpaths and cycleways		1,177	1,274
Drainage		1,319	323
Recreational, leisure and community facilities		2,837	1,523
Parks, open space and streetscapes		207	-
Off street car parks		293	350
Other infrastructure		438	43
<b>Total infrastructure</b>		<b>10,107</b>	<b>13,190</b>
<b>Total capital works expenditure</b>		<b>23,389</b>	<b>25,451</b>
<b>Represented by:</b>			
New asset expenditure		14,050	14,385
Asset renewal expenditure		6,207	8,328
Asset upgrade expenditure		3,132	2,738
<b>Total capital works expenditure</b>		<b>23,389</b>	<b>25,451</b>

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

**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 Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 1989*, and the *Local Government (Planning and Reporting) Regulations 2014*.

**Note 1 Significant accounting policies****(a) Basis of accounting**

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 1 (l))
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 1 (m))
- the determination of employee provisions (refer to Note 1 (r))

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

**(b) Principles of consolidation**

The requirement to consolidate entities under the control of Cardinia Shire Council has been considered and determined that there are no such entities.

**Note 1 Significant accounting policies (cont'd)****(c) 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.

**(d) Accounting for investments in associates****Associates**

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.

**(e) Revenue recognition**

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

**Rates and Charges**

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

**Statutory fees and fines**

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

**User fees**

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

**Grants**

Grant income is recognised when Council obtains control of the contribution. This is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and are valued at their fair value at the date of transfer.

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

**Contributions**

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

**Sale of property, infrastructure, plant and equipment**

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

**Interest**

Interest is recognised as it is earned.

**Other Income**

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

**Note 1 Significant accounting policies (cont'd)****(f) Fair value measurement**

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

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

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.

**(g) Cash and cash equivalents**

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.

**(h) Trade and other receivables**

Short term receivables are carried at invoice amount as amortised cost using the effective interest rate method would not impact the carrying value. 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.

**Note 1 Significant accounting policies (cont'd)****(i) Other financial assets**

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

**(j) Inventories**

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

**(k) Non-current assets classified as held for sale**

A non-current asset classified as held for sale (including disposal groups) is measured at the lower of its carrying amount and fair value less costs to sell, 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.

**(l) Recognition and measurement of property, plant and equipment, infrastructure, intangibles***Acquisition*

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs 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 detailed in Note 1 (m) have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the

*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 on an asset result in changes to the permissible or practical highest and best use of the asset. Further details regarding the fair value hierarchy are disclosed at Note 24, Property, infrastructure and plant and equipment.

In addition, Council undertakes a formal revaluation of land, buildings, and major 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.

**Note 1 Significant accounting policies (cont'd)****(l) Recognition and measurement of property, plant and equipment, infrastructure, intangibles (cont'd)***Land under roads*

Council recognises Land under roads acquired after 30 June 2008 at fair value. Council does not recognise land under roads that it controlled prior to that period in its financial report.

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

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

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

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

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

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

The capitalisation threshold for Buildings, Recreational, leisure and community facilities, and Parks, open Space and streetscapes has been increased from \$5k to \$10k in 2016/17.

Useful lives of the Recreational, leisure and community facilities has been expanded from 10 - 70 to 5 - 80 years.

*Asset recognition thresholds and depreciation periods*

	Depreciation	
	Period years	Threshold Limit \$'000
Property		
land	-	-
land improvements	-	10
Buildings		
heritage buildings	10 - 200	10
buildings	10 - 100	10
building improvements	10 - 100	10
Plant and Equipment		
plant, machinery and equipment	5 - 15	5
fixtures, fittings and furniture	8 - 15	5
computers and telecommunications	3 - 15	5
Infrastructure		
road pavements and seals	10 - 70	10
road substructure	10 - 70	10
road formation and earthworks	-	10
road kerb and channel	10 - 70	10
bridges deck	20 - 100	10
bridges substructure	20 - 100	10
footpaths and cycleways	10 - 50	10
drainage and minor culverts	20 - 100	10
recreational, leisure and community facilities	5 - 80	10
parks, open space and streetscapes	25	10
off street car parks	10 - 70	10
Intangible assets		
intangible assets	5	5

**(n) Repairs and maintenance**

Routine maintenance, repair costs, and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

**Note 1 Significant accounting policies (cont'd)****(o) Impairment of assets**

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

**(p) Trust funds and deposits**

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited (refer to Note 27).

**(q) Borrowings**

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

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

*Borrowing costs*

Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council. Except where specific borrowings are obtained for the purpose of specific asset acquisition, the weighted average interest rate applicable to borrowings at balance date, excluding borrowings associated with superannuation, is used to determine the borrowing costs to be capitalised.

Borrowing costs include interest on bank overdrafts, fees, interest on borrowings, and finance lease charges.

**(r) Employee costs and benefits**

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

*Wages and salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits, 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 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.



**Note 1 Significant accounting policies (cont'd)****(r) Employee costs and benefits (cont'd)***Long service leave*

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

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

The components of this current liability are measured at :

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

*Classification of employee costs*

Non-current liability - conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non - current liability. There is an unconditional right to defer settlement of the entitlement until the employee has completed the requisite years of service.

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

**(s) Leases***Finance leases*

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

*Operating leases*

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

**(t) Goods and Services Tax (GST)**

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

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

**(u) Financial guarantees**

Financial guarantee contracts are not recognised as a liability in the balance sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe that it is probable that the right will be exercised. Details of guarantees that Council has provided, that are not recognised in the balance sheet are disclosed at Note 36 Contingent Liabilities and Contingent Assets.



**Note 1 Significant accounting policies (cont'd)****(v) Contingent assets and contingent liabilities and commitments**

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

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

**(w) Pending accounting standards**

The following new AAS's have been issued that are not mandatory for the 30 June 2017 reporting period. Council has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

**Revenue from contracts with customers (AASB 15) (applies 2019/20), AASB 1058 (applies 2019/20)**

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

**Leases (AASB 16) (applies 2019/20)**

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

Council has a significant number of operating leases that will be impacted as a result of this change.

**(x) Rounding**

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

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For the Year Ended 30 June 2017

## Note 2 Budget comparison

The budget comparison notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of 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 26 April 2016. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for revenue and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

### a) Income and Expenditure

	Budget 2017 \$'000	Actual 2017 \$'000	Variance 2017 \$'000	Ref
<b>Income</b>				
Rates and charges	77,572	79,147	1,575	1
Statutory fees and fines	3,215	4,583	1,368	2
User fees	2,342	2,844	502	3
Grants - operating	11,456	17,164	5,709	4
Grants - capital	2,072	9,544	7,472	5
Contributions - monetary	6,198	30,596	24,398	6
Contributions - non monetary	1,128	51,587	50,460	7
Net gain on disposal of property, infrastructure, plant and equipment	-	3,693	3,693	8
Net gain on asset revaluation	-	1,961	1,961	9
Share of net gain of associates	-	5	5	
Other income	3,388	4,663	1,276	10
<b>Total income</b>	<b>107,369</b>	<b>205,787</b>	<b>98,419</b>	
<b>Expenses</b>				
Employee costs	31,691	32,074	(383)	
Materials and services	40,576	44,434	(3,857)	11
Bad and doubtful debts	172	161	11	
Depreciation and amortisation	19,070	19,681	(611)	12
Borrowing costs	4,054	3,279	775	13
Contributions - monetary	-	7,794	(7,794)	14
Contributions - non monetary	-	5,918	(5,918)	15
Other expenses	2,483	2,735	(252)	
<b>Total expenses</b>	<b>98,046</b>	<b>116,076</b>	<b>(18,029)</b>	
<b>Surplus for the year</b>	<b>9,322</b>	<b>89,711</b>	<b>80,388</b>	

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Note 2 Budget comparison (cont'd)

a) Income and Expenditure (cont'd)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Rates and charges	Rates, including supplementary rates, are better than budget due to an increase in the number of rateable properties. Income from the garbage charge and the green waste bin charge is also better than budget due to an increase in the number of new services.
2	Statutory fees and fines	Development fees (design checking and supervision) are better than budget due to increased development activity, and Planning fees are better than budget due to a new fee regulations introduced earlier this financial year.
3	User fees	Favourable variance is primarily due to increased income from the Cardinia Cultural Centre as a result of increased events and patronage. Section 86 committee income recognised is higher due to an overall increase in committee revenue, and asset protection fees are higher due to a higher volume of applications.
4	Grants - operating	Budgeted grants are better than budget primarily due to advance payment of part of the Victoria Grants Commission (VGC) 2017-18 grant of \$4.9m. The budgeted grants for Maternal & Child Health and School Crossing Supervisors were also better than budget. Additionally, unbudgeted grants have been recognised, primarily for flood rectification works, development projects and Emerald Lake Park vegetation management.
5	Grants - capital	Actual grants received are better than budget, due to increased Roads to Recovery funding of \$0.8m and the VGC grant higher due to advance payment of part of the 2017-18 grant of \$0.4m. Unbudgeted grants have been recognised, the major one being Growing Suburbs Fund funding totalling \$4.1m for Deep Creek Development, Growth Corridor District Playground, and Emerald to Gembrook Multi Use Trail. Other major unbudgeted grants recognised are for Pakenham Health Hub for \$1.0m and Arena Kindergarten for \$0.7m.
6	Contributions - monetary	This includes operating and capital cash contributions, as well as development levies. Development levies include developer levies, community infrastructure levies, and public open space levies, and make up most of the favourable variance, which is due to increased development activity.
7	Contributions - non monetary	Non-cash contributions includes roads, footpaths, drains, bridges, and land under roads contributed by developers. The value of developer contributed assets for the year is significantly better than budget, due to the budget being a conservative estimate of contributions to be received.
8	Net gain on disposal of property, infrastructure, plant and equipment	Favourable variance is mainly due to recognition of the proceeds from the sale of land at South East Business Park, which was not budgeted, partly offset by the written down value of assets disposed.
9	Net asset revaluation increment	This is an accounting entry to offset changes to roads and off-street car park valuations recognised in prior years
10	Other Income	Interest on investments, including Developer Contribution Plan (DCP) investments, are better than budget due to higher investment balances. Additionally, cost recovery income, being income received for expenditure incurred, is overall higher due to receipt of unbudgeted income.
11	Materials & Services	Unfavourable variance is due to funded capital works, including community capital works and priority works, which has been expensed due to not meeting the financial criteria to be included as assets. These have been partly offset by contracts which are under budget, primarily in the waste area due to projected cost increases being delayed and savings from new contracts.
12	Depreciation and amortisation	Unfavourable variance is mainly due to a large increase in developer contributed assets and the construction of several new Council buildings, combined with the depreciation implication of revaluation of existing assets.
13	Borrowing costs	Interest on loans are under budget primarily due to the budgeted 2016-17 loan not being drawn down and the repayment of other loans when due.
14	Contributions - monetary	This relates to cash contributions to VicRoads for Developer Contribution Plan (DCP) projects.
15	Contributions - non monetary (expenditure)	This relates to non-cash contributions and adjustments to VicRoads for Developer Contribution Plan (DCP) projects and contributions to the Department of Education.

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Note 2 Budget comparison (cont'd)

b) Capital Works

	Budget 2017 \$'000	Actual 2017 \$'000	Variance 2017 \$'000	Ref
<b>Property</b>				
Land	1,200	5,451	4,251	1
<b>Total Land</b>	<b>1,200</b>	<b>5,451</b>	<b>4,251</b>	
Buildings	1,153	6,673	5,520	
Heritage buildings	-	22	22	
Building improvements	-	83	83	
<b>Total Buildings</b>	<b>1,153</b>	<b>6,778</b>	<b>5,625</b>	2
<b>Total Property</b>	<b>2,353</b>	<b>12,229</b>	<b>9,876</b>	
<b>Plant and Equipment</b>				
Plant, machinery and equipment	2,350	1,013	(1,337)	3
Fixtures, fittings and furniture	400	19	(381)	4
Computers and telecommunications	-	21	21	
<b>Total Plant and Equipment</b>	<b>2,750</b>	<b>1,053</b>	<b>(1,697)</b>	
<b>Infrastructure</b>				
Roads	8,210	2,512	(5,698)	5
Bridges	600	1,324	724	6
Footpaths and cycleways	1,512	1,177	(335)	
Drainage	380	1,319	939	7
Recreational, leisure and community facilities	17,326	2,837	(14,489)	8
Parks, open space and streetscapes	3,030	207	(2,823)	9
Off street car parks	152	293	141	
Other infrastructure	480	438	(42)	
<b>Total Infrastructure</b>	<b>31,690</b>	<b>10,107</b>	<b>(21,583)</b>	
<b>Total Capital Works Expenditure</b>	<b>36,793</b>	<b>23,389</b>	<b>(13,405)</b>	
<b>Represented by:</b>				
New asset expenditure	17,266	14,050	(3,216)	10
Asset renewal expenditure	11,267	6,207	(5,060)	11
Asset upgrade expenditure	8,260	3,132	(5,128)	12
<b>Total Capital Works Expenditure</b>	<b>36,793</b>	<b>23,389</b>	<b>(13,404)</b>	

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Notes to the Financial Report  
For the Year Ended 30 June 2017

**Note 2 Budget comparison (cont'd)**  
**b) Capital Works (cont'd)**

**(i) Explanation of material variations**

Variance Ref	Item	Explanation
1	Land	Acquisition of land for future development in Officer, including Rix Road, Princes Highway, Brunt Road, and Bridge Road.
2	Buildings	Major items of actual expenditure are for building works at IYU Recreation Reserve, Pakenham Health Hub, Chandler Reserve, and Arena Kindergarten, which were not budgeted in this category. Budget was for works at Council's Purton Road depot and general building works, including disability access works.
3	Plant, machinery and equipment	Scheduled replacement of several items of plant and equipment did not occur this financial year.
4	Fixtures, fittings and furniture	The favourable variance is mainly due to the Information Technology (IT) strategy and Geographic Information System (GIS) strategy projects which are both budgeted in this category, but expended in the intangible assets category, and other expenditure being expensed and included in the operating statements.
5	Roads	Expenditure primarily relates to the roads renewal program, which includes resurfacing, resheeting and pavement renewals. Underspend is mainly as a result of a delay of a Special Charge Scheme in Pakenham and reclassification of expenditure at IYU Recreation Reserve.
6	Bridges	Expenditure in the bridges replacement program is over budget, but has been funded by unspent expenditure from previous years and the receipt of unbudgeted capital contributions.
7	Drainage	Drainage replacement program is under budget in this category, but has been offset by expenditure on drainage works at IYU Recreation Reserve and other recreation reserves, which are both budgeted in the recreational, leisure and community facilities category.
8	Recreational, leisure and community facilities	Budget is for major projects IYU Recreation Reserve, Hills Community Hub, Heatherbrae Recreation Reserve, Lang Lang sporting facilities, Emerald netball facilities, plus a number of smaller projects. The main item of expenditure is for IYU Recreation Reserve. Other projects have been expended in other categories and some expenditure has been expensed.
9	Parks, open space and streetscapes	Major item budgeted in this category is Deep Creek Reserve which is currently under budget and has mostly been expended in the Other Infrastructure category.
10	New asset expenditure	The major projects included as new assets are IYU Recreation Reserve, Hills Community Hub, Deep Creek Reserve, Heatherbrae Recreation Reserve, Lang Lang sporting facilities and Emerald netball facilities. The unfavourable variance is mainly a result of recognition of the acquisition of land for James Bathe Recreation Reserve, which was partly funded by under expenditure in previous years, and other land purchases for future development which have mainly been funded by Developer Contribution Plan (DCP) contributions.
11	Asset renewal expenditure	Asset renewal projects are under budget, with the major variances being for the plant replacement and roads resealing programs.
12	Asset upgrade expenditure	Asset upgrade projects are under budget, the major variance being a Special Charge Scheme in Pakenham which is currently behind schedule.

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	2017 \$'000	2016 \$'000
<b>Note 3 Rates and charges</b>		
<p>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 2016.</p> <p>The valuation base used to calculate general rates for 2016/17 was \$18,719 million (2015/16 \$15,786 million). The 2016/17 rate in the CIV dollar was 0.003364 (2015/16, 0.003607).</p>		
General Rates	66,155	62,184
Waste management charge	11,078	10,220
Supplementary rates and rate adjustments	1,636	1,416
Cultural and recreational	99	101
Interest on rates and charges	179	-
<b>Total rates and charges</b>	<b>79,147</b>	<b>73,921</b>
<p>The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2016, and the valuation will be first applied in the rating year commencing 1 July 2016.</p>		
<b>Note 4 Statutory fees and fines</b>		
Infringements and costs	1,192	1,016
Town planning fees	1,743	1,797
Land information certificates	116	89
Permits	1,532	896
<b>Total statutory fees and fines</b>	<b>4,583</b>	<b>3,798</b>
<b>Note 5 User fees</b>		
Aged and health services	49	53
Leisure centre and recreation	1,557	1,640
Child care/children's programs	225	141
Parking	81	80
Registration and other permits	506	456
Building services	252	233
Other fees and charges	174	137
<b>Total user fees</b>	<b>2,844</b>	<b>2,740</b>

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	2017 \$'000	2016 \$'000
<b>Note 6 Grants</b>		
Grants were received in respect of the following :		
<b>Summary of grants</b>		
Commonwealth funded grants	17,626	8,960
State funded grants	9,082	10,805
<b>Total *</b>	<b>26,708</b>	<b>19,765</b>
<b>Operating Grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Victoria Grants Commission	14,293	4,669
Community Health	104	-
Other	15	-
<b>Recurrent - State Government</b>		
School crossing supervisors	229	203
Maternal and child health	1,206	979
Recreation	73	95
Community safety	95	78
Best Start Program	114	88
Community Health	229	348
Disability	145	139
Emergency Management	30	60
Environment and Heritage	227	203
Family and children	227	364
Local infrastructure	64	4
Other	113	49
<b>Total recurrent operating grants</b>	<b>17,164</b>	<b>7,279</b>
<b>Total operating grants</b>	<b>17,164</b>	<b>7,279</b>
<b>Capital Grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Victoria Grants Commission	1,084	356
Roads to recovery	2,100	3,345
<b>Total recurrent capital grants</b>	<b>3,184</b>	<b>3,701</b>
<b>Non-recurrent - Commonwealth Government</b>		
Local infrastructure	30	210
Recreation	-	380
<b>Non-recurrent - State Government</b>		
Local infrastructure	5,427	2,282
Recreation	903	5,913
<b>Total non-recurrent capital grants</b>	<b>6,360</b>	<b>8,785</b>
<b>Total capital grants</b>	<b>9,544</b>	<b>12,486</b>
<b>Total</b>	<b>26,708</b>	<b>19,765</b>
<b>Conditions on grants</b>		
Grants recognised as revenue during the year that were obtained on condition that they be expended in a specified manner that had not occurred at balance date were:	5,161	3,288
Grants which were recognised as revenue in prior years and were expended during the current year in the manner specified by the grantor were:	(2,154)	(1,563)
Net increase in restricted assets resulting from grant revenues for the year:	<b>3,007</b>	<b>1,725</b>
* See Note 2 for explanation regarding the grant movement		
<b>Unspent grants received on condition that they be spent in a specific manner</b>		
Balance at start of year	4,221	2,496
Received during the financial year and remained unspent at balance date	5,161	3,288
Received in prior years and spent during the financial year	(2,154)	(1,563)
Balance at year end	<b>7,228</b>	<b>4,221</b>



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	2017 \$'000	2016 \$'000
<b>Note 7 Contributions</b>		
<b>Contributions Income</b>		
Monetary	30,596	11,460
Non-monetary	51,587	46,688
<b>Total contributions</b>	<b>82,183</b>	<b>58,148</b>
<i>Contributions of non monetary assets were received in relation to the following asset classes.</i>		
Land	23,856	9,656
Building	595	-
Roads	14,570	11,717
Other infrastructure	17,539	13,740
Other	125	11,575
<b>Total non-monetary contributions income</b>	<b>56,685</b>	<b>46,688</b>
Movement in Developer Contribution Plan Debtors in credit	(5,098)	-
<b>Total non-monetary contributions</b>	<b>51,587</b>	<b>46,688</b>
<b>Contributions Expenses</b>		
<i>Monetary and non monetary contributions collected from developers for projects on Vic Roads land have been handed over to Vic Roads in 2016/17.</i>		
Monetary	7,794	-
Non-monetary	5,918	-
<b>Total contributions</b>	<b>13,712</b>	<b>-</b>
<i>Contributions of non monetary assets were distributed in relation to the following asset classes.</i>		
Land	876	-
Roads	5,042	-
<b>Total non-monetary contributions expenses</b>	<b>5,918</b>	<b>-</b>
<b>Note 8 Net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>		
Proceeds of sale	18,155	2,128
Write down value of assets disposed	(14,462)	(2,479)
<b>Total net gain on disposal of property, infrastructure, plant and equipment</b>	<b>3,693</b>	<b>(351)</b>
<b>Note 9 Net gain on asset revaluation</b>		
Roads	2,788	3,930
Off street car parks	(827)	42
<b>Total net gain on asset revaluation</b>	<b>1,961</b>	<b>3,972</b>
<b>Note 10 Other income</b>		
Interest	1,475	1,393
Other recoveries	2,288	3,276
Other	900	1,712
<b>Total other income</b>	<b>4,663</b>	<b>6,381</b>
<b>Note 11 (a) Employee costs</b>		
Wages and salaries	27,993	27,375
WorkCover	368	396
Casual Staff	789	480
Superannuation	2,555	2,435
Fringe benefits tax	351	362
Other	18	21
<b>Total employee costs</b>	<b>32,074</b>	<b>31,069</b>
<b>Note 11 (b) Superannuation</b>		
Council made contributions to the following funds:		
<b>Defined benefit fund</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	142	162
<b>Total</b>	<b>142</b>	<b>162</b>
Employer contributions payable at reporting date.		
<b>Accumulation funds</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	2,320	2,273
<b>Total</b>	<b>2,320</b>	<b>2,273</b>
Employer contributions payable at reporting date.		
	93	73
Refer to note 35 for further information relating to Council's superannuation obligations.		



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	2017	2016
	\$'000	\$'000
<b>Note 12</b>		
<b>Materials and services</b>		
Building maintenance	155	231
General maintenance	3,871	2,927
Office administration	479	286
Information technology	1,352	1,295
Materials and services	10,942	9,995
Contract payments	21,756	20,851
Utilities	1,836	1,885
Consultants	3,285	4,265
Insurance	758	740
<b>Total materials and services</b>	<b>44,434</b>	<b>42,475</b>
<b>Note 13</b>		
<b>Bad and doubtful debts</b>		
Local laws	119	83
Other	42	85
<b>Total bad and doubtful debts</b>	<b>161</b>	<b>168</b>
<b>Note 14</b>		
<b>Depreciation and amortisation</b>		
Property	4,304	4,090
Plant and equipment	1,655	1,630
Infrastructure	13,547	12,641
<b>Total depreciation</b>	<b>19,506</b>	<b>18,361</b>
Intangible assets	175	122
<b>Total depreciation and amortisation</b>	<b>19,681</b>	<b>18,483</b>
<i>Refer to note 24 and 25 for a more detailed breakdown of depreciation and amortisation charges</i>		
<b>Note 15</b>		
<b>Borrowing costs</b>		
Interest - Borrowings	3,046	3,533
Bank charges	233	205
<b>Total borrowing costs</b>	<b>3,279</b>	<b>3,738</b>
<b>Note 16</b>		
<b>Other expenses</b>		
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	88	84
Auditors' remuneration - Internal	106	102
Councillors' allowances	285	290
Operating lease rentals	454	558
Other expenses	1,802	1,255
<b>Total other expenses</b>	<b>2,735</b>	<b>2,289</b>

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	2017	2016
	\$'000	\$'000
<b>Note 17 Investment in associates</b>		
<b>a) Investments in associates</b>		
Investments in associates accounted for by the equity method is:		
Casey Cardinia Library Corporation	1,596	1,591
<b>Fair value of Council's investment in Casey Cardinia Library Corporation</b>	<b>1,596</b>	<b>1,591</b>
<b>Casey Cardinia Library Corporation</b>		
<i>Background</i>		
Library service run by City of Casey and Cardinia Shire Council. Cardinia Shire has equity in the library. The equity for 2016/17 (based on the audited library statements) is 26.4% (2015/16 26.2%)	1,596	1,591
<b>Fair value of Council's investment in Casey Cardinia Library Corporation</b>	<b>1,596</b>	<b>1,591</b>
<b>Council's share of accumulated surplus</b>		
Council's share of accumulated surplus at start of year	1,054	895
Reported deficit for year	(8)	126
Distributions for the year	13	33
Council's share of accumulated surplus at end of year	<b>1,059</b>	<b>1,054</b>
<b>Council's share of reserves</b>		
Council's share of reserves at start of year	537	537
Council's share of reserves at end of year	<b>537</b>	<b>537</b>
<b>Movement in carrying value of specific investment</b>		
Carrying value of investment at start of year	1,591	1,432
Share of surplus(deficit) for year	(8)	126
Distributions received	13	33
Carrying value of investment at end of year	<b>1,596</b>	<b>1,591</b>
<b>Council's share of expenditure commitments</b>		
Operating commitments	76	103
Council's share of expenditure commitments	<b>76</b>	<b>103</b>
<b>Significant restrictions</b>		
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, approved by the Minister for Local Government, and execute 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. 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.		

Cardinia Shire Council 2016/2017 Financial Report		Notes to the Financial Report For the Year Ended 30 June 2017	
		2017	2016
		\$'000	\$'000
<b>Note 18</b>	<b>Cash and cash equivalents</b>		
	Cash on hand	2	3
	Cash at bank	21,197	14,300
	Term Deposit - Council	28,500	10,000
	Term Deposit - Developer Contribution Plans	13,500	3,500
		<u>63,199</u>	<u>27,803</u>
	Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:		
	- Trust funds and deposits (Note 27)	11,332	9,896
	Total restricted funds	<u>11,332</u>	<u>9,896</u>
	Total unrestricted cash and cash equivalents	<u>51,867</u>	<u>17,907</u>
	<b>Intended allocations</b>		
	Although not externally restricted the following amounts have been allocated for specific future purposes by Council.		
	- Cash held to fund carried forward capital works	20,563	14,675
	- include details of other allocated amounts	12,091	9,277
	Total funds subject to intended allocations	<u>32,654</u>	<u>23,952</u>
	Refer also to Note 19 for details of other financial assets held by Council.		
<b>Note 19</b>	<b>Other financial assets</b>		
	Term Deposit - Council	18,000	-
	Term Deposit - Developer Contribution Plans	10,000	23,500
	<b>Total other financial assets</b>	<u>28,000</u>	<u>23,500</u>
<b>Note 20</b>	<b>Trade and other receivables</b>		
	<b>Current</b>		
	<b>Statutory receivables</b>		
	Rates debtors	8,011	6,973
	Infringement debtors	368	247
	Officer developer contribution plan debtors	6,902	4,889
	Cardinia road developer contribution plan debtors	1,933	5,862
	Vicroads developer contribution plan debtors	-	5,586
	Net GST receivable	728	1,251
	<b>Non statutory receivables</b>		
	South East Business Park	2,750	-
	Other debtors	2,142	1,274
	Provision for doubtful debts - other debtors	(164)	(129)
	Total current trade and other receivables	<u>22,670</u>	<u>25,963</u>
	<b>Non-current</b>		
	<b>Statutory receivables</b>		
	Special rate scheme	1,063	1,277
	<b>Non statutory receivables</b>		
	South East Business Park	4,604	-
	Bonds	4	4
	Total non-current trade and other receivables	<u>5,671</u>	<u>1,281</u>
	<b>Total trade and other receivables</b>	<u>28,341</u>	<u>27,244</u>
	<b>a) Ageing of Receivables</b>		
	At balance date other debtors representing financial assets were past due but not impaired. The ageing of the Council's trade & other receivables (excluding statutory receivables) was:		
	Current (not yet due)	4,365	980
	Past due by up to 30 days	167	46
	Past due between 31 and 180 days	108	60
	Past due between 181 and 365 days	252	188
	Past due by more than 1 year	4,604	-
	Total trade & other receivables	<u>9,496</u>	<u>1,274</u>
	<b>b) Movement in provisions for doubtful debts</b>		
	Balance at the beginning of the year	(129)	(633)
	New Provisions recognised during the year	(86)	(86)
	Amounts already provided for and written off as uncollectible	11	265
	Amounts provided for but recovered during the year	40	305
	Balance at end of year	<u>(164)</u>	<u>(129)</u>
<b>Note 21</b>	<b>Inventories</b>		
	Inventories held for distribution	5	13
	<b>Total inventories</b>	<u>5</u>	<u>13</u>
<b>Note 22</b>	<b>Non current assets classified as held for sale</b>		
	Cost of acquisition - South East Business Park	-	8,726
	<b>Total non current assets classified as held for resale</b>	<u>-</u>	<u>8,726</u>
<b>Note 23</b>	<b>Other assets</b>		
	Prepayments	840	351
	Accrued income	430	296
	Deposits on asset purchases	1,061	-
	<b>Total other assets</b>	<u>2,331</u>	<u>647</u>

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Note 24 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2016	Acquisitions	Contributions	Prior year adjustments	Revaluation	Depreciation	Disposal	Impairment	Transfers	At Fair Value 30 June 2017
Land	328,777	4,412	23,857	22	46,160	-	(837)	-	1,921	404,312
Buildings	110,273	4,580	595	-	39,720	(4,303)	-	-	10,357	161,222
Plant and Equipment	9,161	1,168	-	26	-	(1,654)	(695)	-	-	8,006
Infrastructure	516,045	-	26,561	856	17,069	(13,547)	(4,492)	(35)	18,041	560,498
Work in progress	22,035	16,604	5,547	780	-	-	-	-	(30,319)	14,647
	<b>986,291</b>	<b>26,764</b>	<b>56,560</b>	<b>1,684</b>	<b>102,949</b>	<b>(19,504)</b>	<b>(6,024)</b>	<b>(35)</b>	<b>-</b>	<b>1,148,685</b>

Summary of Work in Progress

	Opening WP	Additions	Contributions	Prior year adjustments	Transfers	Closing WP
Buildings	7,047	6,779	-	-	(12,278)	1,548
Infrastructure	14,988	9,825	5,547	780	(18,041)	13,099
Total	<b>22,035</b>	<b>16,604</b>	<b>5,547</b>	<b>780</b>	<b>(30,319)</b>	<b>14,647</b>

Note 24 Property, infrastructure plant and equipment

	Land - specialised	Land - non specialised	Total Land	Heritage Buildings	Buildings - specialised	Buildings - non specialised	Building improvements	Total Buildings	Work in Progress	Total Property
<b>Land and Buildings</b>										
At fair value 1 July 2016	135,948	192,829	328,777	1,971	71,468	23,510	17,414	114,363	7,047	450,187
Accumulated depreciation at 1 July 2016	-	-	-	(86)	(2,361)	(772)	(871)	(4,090)	-	(4,090)
	135,948	192,829	328,777	1,885	69,107	22,738	16,543	110,273	7,047	446,097
<b>Movements in fair value</b>										
Acquisition of assets at fair value	3,112	1,300	4,412	-	4,580	-	-	4,580	6,779	15,771
Contributed assets	23,572	285	23,857	-	-	595	-	595	-	24,452
Prior year adjustments to fair value	22	-	22	-	-	-	-	-	-	22
Revaluation increments/decrements	26,900	19,260	46,160	4,352	108,412	9,018	5,674	127,456	-	173,616
Fair value of assets disposed	(203)	(634)	(837)	-	-	-	-	-	-	(837)
Transfers	36,506	(34,585)	1,921	22	29,535	(19,501)	301	10,357	(12,278)	-
	89,909	(14,374)	75,535	4,374	142,527	(9,888)	5,975	142,988	(5,499)	213,024
<b>Movements in accumulated depreciation</b>										
Depreciation and amortisation	-	-	-	(120)	(2,679)	(553)	(951)	(4,303)	-	(4,303)
Revaluation increments/decrements	-	-	-	(4,987)	(73,773)	(6,967)	(2,009)	(87,736)	-	(87,736)
Transfers	-	-	-	-	(885)	907	(22)	-	-	-
	-	-	-	(5,107)	(77,337)	(6,613)	(2,982)	(92,039)	-	(92,039)
At fair value 30 June 2017	225,857	178,455	404,312	6,345	213,995	13,622	23,389	257,351	1,548	663,211
Accumulated depreciation at 30 June 2017	-	-	-	(5,193)	(79,698)	(7,385)	(3,853)	(96,129)	-	(96,129)
	225,857	178,455	404,312	1,152	134,297	6,237	19,536	161,222	1,548	567,082

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Note 24 Property, infrastructure plant and equipment (cont'd)

	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Total plant and equipment
<b>Plant and Equipment</b>				
At fair value 1 July 2016	11,220	3,249	2,010	16,479
Accumulated depreciation at 1 July 2016	(4,739)	(1,767)	(812)	(7,318)
	6,481	1,482	1,198	9,161
<b>Movements in fair value</b>				
Acquisition of assets at fair value	1,128	19	21	1,168
Prior year adjustments to fair value	26	-	-	26
Fair value of assets disposed	(1,328)	(524)	(399)	(2,251)
	(174)	(505)	(378)	(1,057)
<b>Movements in accumulated depreciation</b>				
Depreciation and amortisation	(1,276)	(155)	(223)	(1,654)
Accumulated depreciation of disposals	741	427	388	1,556
	(535)	272	165	(98)
At fair value 30 June 2017	11,046	2,744	1,632	15,422
Accumulated depreciation at 30 June 2017	(5,274)	(1,495)	(647)	(7,416)
	5,772	1,249	985	8,006

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Note 24 Property, infrastructure, plant and equipment (cont'd)

	Roads	Bridges	Footpaths and cycleways	Drainage	Recreational, leisure and Community	Parks open spaces and streetscapes	Off street car parks	Other Infrastructure	Work in Progress	Total Infrastructure
<b>Infrastructure</b>										
At fair value 1 July 2016	319,736	68,490	71,163	186,971	31,575	5,103	9,856	521	14,988	<b>708,403</b>
Accumulated depreciation at 1 July 2016	(96,018)	(24,400)	(13,863)	(26,059)	(12,088)	(2,128)	(2,637)	(177)	-	<b>(177,370)</b>
	223,718	44,090	57,300	160,912	19,487	2,975	7,219	344	14,988	<b>531,033</b>
<b>Movements in fair value</b>										
Acquisition of assets at fair value	-	-	-	-	-	-	-	-	9,825	<b>9,825</b>
Contributed assets	11,975	183	4,768	9,351	284	-	-	-	5,547	<b>32,108</b>
Prior year adjustments to fair value	(92)	-	114	777	93	-	32	-	780	<b>1,704</b>
Revaluation increments/decrements	(14,328)	1,064	3,276	11,741	-	-	(1,249)	-	-	<b>504</b>
Fair value of assets disposed	(1,207)	-	(62)	(50)	(3,053)	(4,832)	(4)	-	-	<b>(9,208)</b>
Impairment losses recognised in operating result	-	-	-	-	(35)	-	-	-	-	<b>(35)</b>
Transfers	7,912	1,007	2,014	3,244	3,553	(271)	582	-	(18,041)	<b>-</b>
	4,260	2,254	10,110	25,063	842	(5,103)	(639)	-	(1,889)	<b>34,898</b>
<b>Movements in accumulated depreciation</b>										
Depreciation and amortisation	(7,781)	(835)	(1,489)	(2,015)	(1,044)	(159)	(208)	(16)	-	<b>(13,547)</b>
Prior year adjustments to fair value	93	-	(12)	(112)	(19)	-	(18)	-	-	<b>(68)</b>
Revaluation increments/decrements	17,116	500	146	(1,619)	-	-	422	-	-	<b>16,565</b>
Accumulated depreciation of disposals	683	-	11	6	1,870	2,143	3	-	-	<b>4,716</b>
Transfers	-	1	(127)	(9)	(9)	144	-	-	-	<b>-</b>
	10,111	(334)	(1,471)	(3,749)	798	2,128	199	(16)	-	<b>7,666</b>
At fair value 30 June 2017	323,896	70,744	81,273	212,034	32,417	-	9,217	521	13,099	<b>743,301</b>
Accumulated depreciation at 30 June 2017	(85,907)	(24,734)	(15,334)	(29,808)	(11,290)	-	(2,438)	(193)	-	<b>(169,704)</b>
	238,089	46,010	65,939	182,226	21,127	-	6,779	328	13,099	<b>573,597</b>

## Note 24 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 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. The valuation of buildings is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

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 2017 are as follows:

	Level 2	Level 3	DoV
Land	178,455		03/17
Specialised Land		225,857	03/17
Heritage Buildings		1,152	03/17
Buildings		134,297	03/17
Buildings - non specialised		6,237	03/17
Building Improvements		19,536	03/17
	<u>178,455</u>	<u>387,079</u>	

*Valuation of infrastructure*

Valuation of infrastructure assets has been performed by the Council's asset management officer who has almost 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 2017 are as follows:

	Level 3	DoV
Roads	238,089	04/17
Bridges	46,010	04/17
Footpaths and cycleways	65,939	04/17
Drainage	182,226	04/17
Off street car parks	6,779	04/17
	<u>539,043</u>	

**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 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$0.71 and \$8,450.00 per square metre.

**Specialised and non specialised buildings** are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$630 to \$4,700 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 1 years to 59 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.

	2017	2016
<b>Reconciliation of specialised land</b>		
Land under roads	30,948	23,098
Parks and reserves	194,909	112,850
<b>Total specialised land</b>	<u>225,857</u>	<u>135,948</u>

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	2017	2016
	\$'000	\$'000
<b>Note 25 Intangible assets</b>		
Software	638	669
<b>Total intangible assets</b>	<u>638</u>	<u>669</u>
		Software
		\$'000
<b>Gross carrying amount</b>		
Balance at 1 July 2016		1,979
Additions from internal developments		-
Other Additions		237
Disposals		(93)
Balance at 30 June 2017		<u>2,123</u>
<b>Accumulated amortisation and impairment</b>		
Balance at 1 July 2016		(1,382)
Amortisation expense		(175)
Disposals		72
Balance at 30 June 2017		<u>(1,485)</u>
Work in progress at 30 June 2016		72
Work in progress at 30 June 2017		-
Net book value at 30 June 2016		669
Net book value at 30 June 2017		<u>638</u>
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Note 26 Trade and other payables</b>		
<b>Current</b>		
Trade payables	11,551	12,605
Accrued expenses	3,994	2,884
Income in Advance	1,629	1,043
	<u>17,174</u>	<u>16,532</u>
<b>Non-Current</b>		
Trade payables	12,896	6,155
	<u>12,896</u>	<u>6,155</u>
<b>Total trade and other payables</b>	<u>30,070</u>	<u>22,687</u>
<b>Note 27 Trust funds and deposits</b>		
Refundable deposits	11,057	9,487
Fire services levy	76	71
Retention amounts	-	139
Trust Funds	199	199
<b>Total trust funds and deposits</b>	<u>11,332</u>	<u>9,896</u>

*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 (included under Trust funds and deposits) - 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.



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Note 28 Provisions	Annual leave	Long Service Leave	Other	Total
<b>2017</b>				
Balance at beginning of the financial year	2,495	4,886	83	7,464
Additional provisions	2,440	1,329	2	3,771
Amounts used	(2,326)	(1,395)	(18)	(3,739)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	(8)	104	-	96
Balance at the end of the financial year	<u>2,601</u>	<u>4,924</u>	<u>67</u>	<u>7,592</u>
<b>2016</b>				
Balance at beginning of the financial year	2,441	4,686	89	7,217
Additional provisions	2,100	1,056	2	3,158
Amounts used	(2,040)	(942)	(8)	(2,990)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	(6)	86	-	79
Balance at the end of the financial year	<u>2,495</u>	<u>4,886</u>	<u>83</u>	<u>7,464</u>
			<b>2017</b>	<b>2016</b>
			<b>\$'000</b>	<b>\$'000</b>
<b>(a) Employee provisions</b>				
<b>Current provisions expected to be wholly settled within 12 months</b>				
Annual leave			2,601	2,050
Long service leave			1,361	3,422
Sick leave bonus/gratuity			67	83
			<u>4,029</u>	<u>5,555</u>
<b>Current provisions expected to be wholly settled after 12 months</b>				
Long service leave			2,318	-
Total current Employee provision			<u>6,347</u>	<u>5,555</u>
<b>Non-current</b>				
Annual leave			-	445
Long service leave			1,245	1,464
Total non-current provisions			<u>1,245</u>	<u>1,909</u>
<b>Aggregate carrying amount of employee provisions:</b>				
Current			6,347	5,555
Non-current			1,245	1,909
Total aggregate carrying amount of employee provisions			<u>7,592</u>	<u>7,464</u>
			<b>2017</b>	<b>2016</b>
			<b>\$'000</b>	<b>\$'000</b>
<b>Note 29 Interest bearing loans and borrowings</b>				
<b>Current</b>				
Borrowings - secured			5,001	4,765
			<u>5,001</u>	<u>4,765</u>
<b>Non-current</b>				
Borrowings - secured			42,265	47,521
			<u>42,265</u>	<u>47,521</u>
<b>Total</b>			<u>47,266</u>	<u>52,286</u>
(1) Borrowings are secured by Deed of charge over rates				
a) The maturity profile for Council's borrowings is:				
Not later than one year			5,001	4,765
Later than one year and not later than five years			25,372	27,280
Later than five years			16,893	20,241
			<u>47,266</u>	<u>52,286</u>

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Note 30 Reserves

	Balance at beginning of reporting period	Increment (decrement)	Balance at end of reporting period
	\$'000	\$'000	\$'000
<b>(a) Asset revaluation reserves</b>			
<b>2017</b>			
<b>Property</b>			
Land	200,230	46,160	246,390
Buildings	14,170	39,721	53,891
	214,400	85,881	300,281
<b>Infrastructure</b>			
Bridges	19,109	1,564	20,673
Footpaths and cycleways	13,608	3,422	17,030
Drainage	70,823	10,123	80,946
	103,540	15,109	118,649
<b>Total asset revaluation reserves</b>	<b>317,940</b>	<b>100,990</b>	<b>418,930</b>
<b>2016</b>			
<b>Property</b>			
Land	184,217	16,013	200,230
Buildings	14,170	-	14,170
	198,387	16,013	214,400
<b>Infrastructure</b>			
Bridges	17,758	1,351	19,109
Footpaths and cycleways	13,041	567	13,608
Drainage	57,011	13,812	70,823
	87,810	15,730	103,540
<b>Total asset revaluation reserves</b>	<b>286,197</b>	<b>31,743</b>	<b>317,940</b>

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

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period	
	\$'000	\$'000	\$'000	\$'000	
<b>(b) Other reserves</b>					
<b>2017</b>					
	Ref				
Developer levy	1	30,731	22,427	(11,625)	41,533
Community Facilities levy	2	1,463	1,600	(793)	2,270
Public Open Space levy	3	2,496	4,086	(1,644)	4,938
Native vegetation	4	805	4	(99)	710
Decorative Light Poles	5	389	350	(83)	656
Landscapes	6	-	281	(183)	98
<b>Total Other reserves</b>		<b>35,884</b>	<b>28,748</b>	<b>(14,427)</b>	<b>50,205</b>
<b>2016</b>					
Developer levy		24,870	8,875	(3,014)	30,731
Community Facilities levy		577	1,263	(377)	1,463
Public Open Space levy		2,153	600	(257)	2,496
Native vegetation		773	64	(32)	805
Decorative Light Poles		31	385	(27)	389
<b>Total Other reserves</b>		<b>28,404</b>	<b>11,187</b>	<b>(3,707)</b>	<b>35,884</b>

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.
2	Community Facilities levy	This reserve is the balance of the cash levies paid to council and is to be used to cover the cost of the remaining community facilities to be provided under the DCP area.
3	Public Open Space levy	It is a requirement under the Planning Scheme and Precinct Structure Plans (PSPs) 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.

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For the Year Ended 30 June 2017

	2017 \$'000	2016 \$'000
<b>Note 30 (c) Reserves (cont'd)</b>		
Adjustments directly to equity		
Prior year adjustments for previously not recognised assets/liabilities	1,684	1,144
Total adjustments directly to equity	<u>1,684</u>	<u>1,144</u>
<b>Note 31 Reconciliation of cash flows from operating activities to surplus</b>		
Surplus for the year	89,711	70,311
Depreciation/amortisation	19,681	18,483
Proceeds from Sale of Assets - Investing Activity, not Operating Activity	(9,451)	351
WDBV of Assets Sold - Non-cash	5,758	-
Contributions - Non-monetary	(45,669)	(46,688)
Interest Costs - Financing, not Operating Activity	3,279	3,738
Share of net (gain)/loss of associates - Non-cash	(5)	(159)
Impairment (gain)/loss - Non-cash	35	-
Net asset revaluation (increment)/decrement	(1,961)	(3,972)
<b>Change in assets and liabilities:</b>		
Increase in trade and other receivables	(1,678)	2,605
Increase in prepayments	(489)	70
Increase in accrued income	(134)	(157)
Increase in trade and other payables	(303)	3,754
Increase in other liabilities	1,508	4,482
Increase in inventories	8	3
Increase in provisions	129	247
Increase in income in advance	586	(909)
Net cash provided by operating activities	<u>61,005</u>	<u>52,159</u>
<b>Note 32 Financing arrangements</b>		
Bank Overdraft	2,000	2,000
Credit card facilities	58	53
Other facilities	47,266	52,286
Total facilities	<u>49,324</u>	<u>54,339</u>
Used facilities	47,266	52,294
Unused facilities	<u>2,058</u>	<u>2,045</u>

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Note 33 Commitments

The Council has entered into the following commitments

2017	Not later than	Later than 1	Later than 2	Later than 5	Total
	1 year	year and not later than 2 years	years and not later than 5 years	years	
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating</b>					
Recycling	2,282	2,452	3,343	-	8,077
Garbage collection	8,681	9,327	12,716	-	30,724
Open space management	3,781	4,064	1,258	-	9,103
Consultancies	538	76	-	-	614
Home care services	51	-	-	-	51
Cleaning contracts for council buildings	424	-	-	-	424
Meals for delivery	1,041	-	-	-	1,041
Casey Cardinia Library funding	1,874	2,001	4,202	-	8,077
Facilities management	188	183	-	-	371
Maintenance	1,105	427	596	120	2,248
Health	506	-	-	-	506
Other	1,718	910	779	160	3,567
<b>Total</b>	<b>22,189</b>	<b>19,440</b>	<b>22,894</b>	<b>280</b>	<b>64,803</b>
<b>Capital</b>					
Buildings	1,225	-	-	-	1,225
Roads	7,570	3,930	-	-	11,500
Drainage	20	-	-	-	20
Land	9,550	-	-	-	9,550
<b>Total</b>	<b>18,365</b>	<b>3,930</b>	<b>-</b>	<b>-</b>	<b>22,295</b>

2016	Not later than	Later than 1	Later than 2	Later than 5	Total
	1 year	year and not later than 2 years	years and not later than 5 years	years	
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating</b>					
Recycling	1,575	1,705	3,780	-	7,060
Garbage collection	9,032	10,564	23,775	-	43,371
Open space management	3,288	3,469	5,188	-	11,945
Consultancies	230	50	-	-	280
Home care services	272	-	-	-	272
Cleaning contracts for council buildings	754	380	-	-	1,134
Meals for delivery	961	1,041	-	-	2,002
Casey Cardinia Library funding	1,826	1,872	4,020	-	7,718
Facilities management	398	170	167	-	735
Maintenance	1,070	711	649	-	2,430
Health	496	538	-	-	1,034
Other	1,112	236	297	44	1,689
<b>Total</b>	<b>21,014</b>	<b>20,736</b>	<b>37,876</b>	<b>44</b>	<b>79,670</b>
<b>Capital</b>					
Buildings	4,500	-	-	-	4,500
Roads	900	-	-	-	900
Land	1,781	-	-	-	1,781
<b>Total</b>	<b>7,181</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,181</b>

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Notes to the  
For the Year Ended 30

	2017	2016
	\$'000	\$'000
<b>Note 34 Operating leases</b>		
<b>(a) Operating lease commitments</b>		
At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):		
Not later than one year	349	146
Later than one year and not later than five years	629	320
	<u>978</u>	<u>466</u>
<b>(b) Operating lease receivables</b>		
The Council has entered into property leases, consisting of freehold office complexes. These properties held under operating leases have remaining non-cancellable lease terms. All leases include a CPI based revision of the rental charge annually.		
Future minimum rentals receivable under non-cancellable operating leases are as follows:		
Not later than one year	270	276
Later than one year and not later than five years	861	607
Later than five years	2,908	119
	<u>4,039</u>	<u>1,002</u>

**Note 35 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 the Comprehensive Income Statement when they are made or due.

**Accumulation**

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

**Defined Benefit**

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

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

**Funding arrangements**

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

As at 30 June 2017, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 103.1%. To determine the VBI, the Fund Actuary used the following long-term assumptions:

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

**Note 35 Superannuation (Cont'd)**

Vision Super has advised that the actual VBI at June quarter 2017 was 103.1%. The VBI is to be used as the primary funding indicator. The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2017 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 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 2017, this rate was 9.5% of members' salaries (9.5% in 2015/2016). This rate will increase in line with any increase to the contribution rate. In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

**Funding calls**

If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%. In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall. Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated. Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. If there is a surplus in the Fund, the surplus cannot be returned to the participating employers. In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

**2017 Actuarial investigation surplus amounts**

The Fund's interim actuarial investigation as at 30 June 2016 identified the following in the defined benefit category of which Council is a contributing employer:

- A VBI surplus of \$40.3 million; and
- A total service liability surplus of \$156 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2017. 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. Council was notified of the 30 June 2017 VBI during August 2017.

**Future superannuation contributions**

In addition to the disclosed contributions, Cardinia Shire Council has paid no unfunded liability payments to Vision Super. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2018 are \$135,000.

**Note 36 Contingent liabilities and contingent assets**

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined in Note 35. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists. At this point in time it is not known if additional contributions will be required, their timing or potential amount.

## Note 37 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 Note 1 of the financial statements. Risk management is carried out by senior management under policies approved by the Council. These policies include identification and analysis of the risk exposure to Council and appropriate procedures, controls and risk minimisation.

**(b) Market risk**

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

**Interest rate risk**

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

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

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

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 our balance sheet. 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.

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

**(d) Liquidity risk**

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

To help reduce these risks Council:

- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments; and
- monitor budget to actual performance on a regular basis.

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

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

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 29.

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



**Note 37**      **Financial Instruments (cont'd)****e) Fair value**

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

*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.

**(f) Sensitivity disclosure analysis**

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

- A parallel shift of + 1% and -1% in market interest rates (AUD) from year-end rates of 2.1% - 2.70%.

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.



<b>Note 38</b>	<b>Related party disclosures</b>		
(i)	<b>Related Parties</b>		
	<i>Parent entity</i>		
	Cardinia Shire Council		
	<i>Subsidiaries and Associates</i>		
	Interests in subsidiaries and associates are detailed in note 17.		
(ii)	<b>Key Management Personnel</b>		
	Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:		
	<b>Councillors</b>		
	Mayor Cr Brett Owen (Mayor from 22 November 2016, Deputy Mayor until 22 October 2016)		
	Deputy Mayor Cr Jodie Owen (Mayor from 30 June 2016 - 22 October 2016)		
	Cr Collin Ross		
	Cr Carol Ryan ( Councillor from 2 November 2016 )		
	Cr Graeme Moore		
	Cr Jeff Springfield ( Councillor from 2 November 2016 )		
	Cr Leticia Wilmot		
	Cr Michael Schilling ( Councillor from 2 November 2016 )		
	Cr Ray Brown ( Councillor from 2 November 2016 )		
	Cr Kate Lempier ( Councillor until 22 October 2016 )		
	Cr George Blenkhorn ( Councillor until 22 October 2016 )		
	Cr Tania Baxter ( Councillor until 22 October 2016 )		
	Cr David Young ( Councillor until 22 October 2016)	<b>No.</b>	<b>No.</b>
	<b>Total Number of Councillors</b>	13	9
	<b>Chief Executive Officer and other Key Management Personnel</b>	6	6
	<b>Total Key Management Personnel</b>	<u>19</u>	<u>15</u>
(iii)	<b>Remuneration of Key Management Personnel (Refer Note 1 below)</b>	<b>2017</b>	
		<b>\$,000</b>	
	Total remuneration of key management personnel was as follows:		
	Short-term benefits	1,739	
	Post-employment benefits	134	
	Long-term benefits	34	
	<b>Total</b>	<u>1,907</u>	
	The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:		
		<b>2017</b>	
		<b>No.</b>	
	\$0 - \$9,999	4	
	\$10,000 - \$19,999	4	
	\$20,000 - \$29,999	3	
	\$30,000 - \$39,999	-	
	\$40,000 - \$49,999	1	
	\$50,000 - \$59,999	-	
	\$60,000 - \$69,999	1	
	\$150,000 - \$159,999	-	
	\$210,000 - \$219,999	1	
	\$220,000 - \$229,999	-	
	\$230,000 - \$239,999	1	
	\$240,000 - \$249,999	1	
	\$250,000 - \$259,999	1	
	\$270,000 - \$279,999	1	
	\$340,000 - \$349,999	-	
	\$390,000 - \$399,999	1	
		<u>19</u>	

Note 1: No comparatives are provided due to it being the first year of application of AASB 124 for Local Government.

Cardinia Shire Council  
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Notes to the Financial Report  
For the Year Ended 30 June 2017

<b>Note 38</b>	<b>Related party disclosures (cont'd)</b>	<b>2017</b>	
		<b>\$,000</b>	
(iv)	<b>Transactions with related parties</b>		
	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 Strategy	1,826	
	Provision of a Mobile Library bus to the Casey Cardinia Library Corporation	24	
		1,850	
<b>Note 39</b>	<b>Senior Officer Remuneration</b>		
	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 \$142,000		
	The number of Senior Officers are shown below in their relevant income bands:		
		<b>2017</b>	<b>2016</b>
	Income Range:	<b>No.</b>	<b>No.</b>
	< \$142,000	1	6
	\$142,000 - \$149,999	7	4
	\$150,000 - \$159,999	8	9
	\$160,000 - \$169,999	4	-
	\$170,000 - \$179,999	4	-
	\$180,000 - \$189,999	1	-
		<b>25</b>	<b>19</b>
		<b>2017</b>	<b>2016</b>
		<b>\$,000</b>	<b>\$,000</b>
	Total Remuneration for the reporting year for Senior Officers included above, amounted to	3,904	2,791
<b>Note 40</b>	<b>Events occurring after balance date</b>		
	No matters have occurred after balance date that require disclosure in the financial report.		

Cardinia Shire Council  
2016/2017 Financial Report

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### Certification of the Financial Statements

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

Jo Harris - CPA  
Chief Finance Officer

Date : 18 September 2017  
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 2017 and the financial position of the Council as at that date.

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

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

Brett Owen  
Mayor

Date : 18 September 2017  
20 Siding Avenue, Officer

Leticia Wilmot  
Councillor

Date : 18 September 2017  
20 Siding Avenue, Officer

Garry McQuillan  
Chief Executive Officer

Date : 18 September 2017  
20 Siding Avenue, Officer

**Balance Sheet**  
**As at 30 June 2017**

**Year on Year Variance Analysis**

	2017	2016	Variance		
	\$'000	\$'000	\$'000	%	
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	63,199	23,470	39,729	169%	Restated prior year figure to follow the local government financial reporting model. Previously represented council cash and investments with Developer Contributions Plan (DCP) cash and investments classified as Other financial assets. Balance, including other financial asset, comprises Council Cash \$54.3m and DCP cash of \$36.8m. Increase overall in cash of \$40m, DCP \$9m and Council \$31m. Council increase is due to proceeds from South East Business Park (SEBP) sale \$10m. YGC advance payment \$5m and capital funding received for projects being constructed over more than one year. DCP increase is mainly due to increase in Officer DCP and increased activity.
Trade and other receivables	22,670	25,963	(3,293)	(13%)	Decrease is mainly due to the settlement with VicRoads in relation to the Cardinia Road duplication as well as a reduction in Cardinia Road DCP debtors due to the DCP moving through its stages of development.
Other financial assets	26,000	27,833	167	1%	Refer Cash and Cash equivalent commentary above.
Inventories	5	13	(8)	(62%)	Fuel on hand at year end has decreased.
Non-current assets classified as held for sale - Land	-	8,726	(8,726)	(100%)	SEBP was sold during the year.
Other assets	2,331	647	1,684	260%	The increase is due to deposits on land being recognised here and an increase in prepayments
<b>Total current assets</b>	<b>116,205</b>	<b>86,652</b>	<b>29,553</b>		
<b>Non-current assets</b>					
Trade and other receivables	5,671	1,281	4,390	343%	The proceeds from the sale of SEBP are to be received over a number of years - resulting in an increase in Non Current Debtors.
Investments in associates	1,596	1,591	5	0%	Cardinia's equity in the Casey Cardinia Library Corporation
Property, infrastructure, plant and equipment					
Land	404,312	328,777	75,534	23%	Land was revalued this year, as well as some purchases under the DCPs, the main one being James Batha Reserve for \$7m
Buildings	161,222	110,274	50,948	46%	A building review project and revaluation was conducted this year, resulting in the alignment of building data, review of useful life's and values. Upon completion of the project the building register has now been transferred to asset management. New buildings during the year were Arena Kindergarten, Heatherbrae Pavilion, and FYU Pavilion
Plant & Equipment	8,006	9,161	(1,155)	(13%)	Reduction in value of Plant and Equipment is due to the replacement of plant being delayed during the year.
Infrastructure	560,498	516,043	44,455	9%	Increase is due to continued development of FYU reserve, Roads to Recovery Program, bridges, drains and WIP being completed during the year as well as the contributed assets received during the year.
Intangible assets	638	669	(31)	(5%)	Decrease in software is due to amortisation being higher in value than the net additions for this year.
WIP	14,647	22,035	(7,388)	(34%)	Decrease in WIP represents the capital works being completed during the year.
<b>Total non-current assets</b>	<b>1,156,590</b>	<b>989,831</b>	<b>166,760</b>		
<b>Total assets</b>	<b>1,272,795</b>	<b>1,076,483</b>	<b>196,312</b>		
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	17,174	16,532	642	4%	Increase is due to the timing of payments in relation to expenses at year end as well as DCP debtors in credit for works/land provided in advance of development.
Trust funds and deposits	11,332	9,896	1,436	15%	The increase in development has led to an increase in trust funds and deposits being held by council in landscape maintenance bonds, asset protection bonds and contractor bonds.
Provisions	6,347	5,555	792	14%	The increase in the Provision relates to Annual Leave being treated as 100% current this year. The increase is offset by the decrease in the Non Current Provisions below.
Interest-bearing loans and borrowings	5,001	4,765	236	5%	Increase is due to more principal being scheduled to be repaid in the next 12 months than last year. As the loans age, the repayments include more principal and less interest.
<b>Total current liabilities</b>	<b>39,854</b>	<b>36,748</b>	<b>3,106</b>		
<b>Non-current liabilities</b>					
Trade and other payables	12,896	6,155	6,741	110%	Represents the new lease incentive liability recognised in relation to the Pakenham Health Hub of \$4.4m as well as DCP debtors in credit for works/land provided in advance of development.
Provisions	1,245	1,909	(664)	(35%)	Refer Current Liability Provision commentary above.
Interest-bearing loans and borrowings	42,265	47,521	(5,256)	(11%)	The decrease represents the reduction in loans by council.
<b>Total non-current liabilities</b>	<b>56,406</b>	<b>55,585</b>	<b>821</b>		
<b>Total liabilities</b>	<b>96,260</b>	<b>92,333</b>	<b>3,927</b>		
<b>Net assets</b>	<b>1,176,535</b>	<b>984,150</b>	<b>192,385</b>		
<b>Equity</b>					
Accumulated surplus	707,400	630,326	77,074	12%	Surplus for the year is recorded here.
Reserves	469,135	353,824	115,311	33%	Reserves increase is mainly due to asset revaluations.
<b>Total Equity</b>	<b>1,176,535</b>	<b>984,150</b>			

**CARDINIA SHIRE COUNCIL  
YEAR ENDED 30 JUNE 2017  
RECONCILIATION OF CAPITAL WORKS EXPENDITURE**

	<b>Balance</b>	<b>Difference</b>
	<b>\$000</b>	<b>\$000</b>
Statement of Capital Works	23,389	
Cash Flow Statement	23,634	245
Note 24 Property Plant and Equipment	26,764	3,130
<b>Total difference</b>		<u><u>3,375</u></u>
<b>Due to:</b>		
Asset additions recognised as lease incentives owed		4,580
Deposits on land recognised as prepayments	-	1,061
Other minor asset adjustments not reflected in the Cash Flow statement*	-	147
<i>Rounding</i>		<sup>3</sup>
		<u><u>3,375</u></u>

\* includes a disposal from donations expense, capitalisations from insurance claims and a transfer from land held for resale.

## DRAFT 2016-17 Performance statement



**Sustainable capacity indicators**

	Indicator	2015	2016	2017	Material variation
<b>Population</b>	<i>Expenses per head of municipal population</i> [Total expenses/ Municipal population]	\$1,155.11	\$1,084.60	\$1,066.38	
	<i>Infrastructure per head of municipal population</i> [Value of infrastructure/ Municipal population]	\$6,916.71	\$7,213.50	\$7,754.53	Increase in infrastructure assets is due to the recognition of developer contributed assets as a result of continuing development in the Shire and a growing population, and is expected to continue over the forecast period. Additionally, completed capital works projects and the revaluation of existing assets have also contributed to the increase in the value of infrastructure.
	<i>Population density per length of road</i> [Municipal population/kilometres of local roads]	58.36	60.11	62.62	
<b>Own-source revenue</b>	<i>Own-source revenue per head of municipal population</i> [Own-source revenue/Municipal population]	\$924.83	\$1,000.97	\$1,009.42	

	Indicator	2015	2016	2017	Material variation
<b>Recurrent grants</b>	<i>Recurrent grants per head of municipal population</i> [Recurrent grants/Municipal population]	\$276.40	\$120.82	\$211.98	Advance payment of \$5.2m, being part payment of the 2017–18 VGC grant, was received in 2016–17. The total amount received in 2016-17 was \$15.3m, being the 2016-17 grant of \$10.1m plus the 2017-18 prepayment of \$5.2m. In 2015-16, the total VGC grant received was \$5.0m due to being partly prepaid in the previous year.
<b>Disadvantage</b>	<i>Relative socio-economic disadvantage</i> [Index of relative socio-economic disadvantage by docile]	8.00	8.00	8.00	

### Definitions

- “adjusted underlying revenue” means total income other than—
  - a. non-recurrent grants used to fund capital expenditure; and
  - b. non-monetary asset contributions; and
  - c. contributions to fund capital expenditure from sources other than those referred to in paragraphs (a) and (b).
- “infrastructure” means non-current property, plant and equipment excluding land.
- “local road” means a sealed or unsealed road for which the council is the responsible road authority under the *Road Management Act 2004*.
- “municipal population” means the resident population based on data published by the Australian Bureau of Statistics on its website.
- “own-source revenue” means adjusted underlying revenue other than revenue that is not under the control of council (including government grants).
- “relative socio-economic disadvantage”, in relation to a municipality, means the relative socio-economic disadvantage, expressed as a decile 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	2015	2016	2017	Material variation
<b>Aquatic facilities</b>	<b>Utilisation</b> <i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities/Municipal population]	9.78	9.73	6.26	The facility management at Cardinia Life changed to a new contractor on the 1 July 2016. As part of the new contract, people counter hardware was installed at the centre in September 2016. Whilst membership numbers have remained steady, the people counter hardware provides a more accurate reflection of attendances at aquatic facilities.
<b>Animal management</b>	<b>Health and safety</b> <i>Animal management prosecutions</i> [Number of successful animal management prosecutions]	15	22	26	This increase reflects a higher number of attacks reported to Council during the reporting period. The increase does not appear to be caused by any change of Council process or practice.

Service	Indicator	2015	2016	2017	Material variation
Food safety	<p><b>Health and safety</b>  <i>Critical and major non-compliance outcome notifications</i>            [Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises followed up/Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises] x100</p>	100%	100%	100%	From 1 July 2016, 'Critical and major non-compliance outcome notifications' will be reported by calendar year. Previously this indicator was reported by financial year. This has been implemented to better align reporting with the Department of Health and Human Services. This may result in some variances year-on-year.
Governance	<p><b>Satisfaction</b>  <i>Satisfaction with Council decisions</i>            [Community satisfaction rating out of 100 with how Council has performed in making decisions in the interest of the community]</p>	54	54	53	
Libraries	<p><b>Participation</b>  <i>Active library members</i>            [Number of active library members/Municipal population] x100</p>	14.51%	13.48%	12.44%	The 2014–15 results for Active library members have been updated from 19.32%. The results were erroneously calculated in the 2014–15 Annual Report.

Service	Indicator	2015	2016	2017	Material variation
<b>Maternal and Child Health (MCH)</b>	<b>Participation</b> <i>Participation in the MCH service</i> [Number of children who attend the MCH service at least once (in the year)/Number of children enrolled in the MCH service] x100	76.76%	75.34%	74.52%	In 2016 there was an initiative to transition the majority of Victorian councils offering Maternal and Child Health services to a new database. The database was not expected to provide reliable information until the end of September 2016. Therefore, Council was unable to report this data in the 2015-16 Annual report.
	<b>Participation</b> <i>Participation in the MCH service by Aboriginal children</i> [Number of Aboriginal children who attend the MCH service at least once (in the year)/Number of Aboriginal children enrolled in the MCH service] x100	72.78%	69.83%	71.86%	In 2016 there was an initiative to transition the majority of Victorian councils offering Maternal and Child Health services to a new database. The database was not expected to provide reliable information until the end of September 2016. Therefore, Council was unable to report this data in the 2015-16 Annual report.
<b>Roads</b>	<b>Satisfaction</b> <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]	55	57	54	

Service	Indicator	2015	2016	2017	Material variation
<b>Statutory planning</b>	<b>Decision making</b> <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	77.78%	66.67%	50.00%	<p>Council planning decisions appealed at VCAT remain low with half being upheld by the tribunal. Two more applications were heard at VCAT this year than were heard in the previous year. While this is a small increase, with the low numbers of appeals, any variance represents a greater percentage.</p> <p>The 2014–15 results for Council planning decisions upheld at VCAT have been updated from 80% respectively. The results were erroneously calculated in the 2014–15 Annual Report.</p>
<b>Waste collection</b>	<b>Waste diversion</b> <i>Kerbside collection waste diverted from landfill</i> [Weight of recyclables and green organics collected from kerbside bins/Weight of garbage, recyclables and green organics collected from kerbside bins] x100	46.24%	46.05%	47.00%	

**Definitions**

- “Aboriginal child” means a child who is an Aboriginal person.
- “Aboriginal person” has the same meaning as in the *Aboriginal Heritage Act 2006*.
- “active library member” means a member of a library who has borrowed a book from the library.
- “annual report” means an annual report prepared by a council under sections 131, 132 and 133 of the *Local Government Act 1989*.
- “class 1 food premises” means food premises, within the meaning of the *Food Act 1984*, that have been declared as class 1 food premises under section 19C of that Act.
- “class 2 food premises” means food premises, within the meaning of the *Food Act 1984*, that have been declared as class 2 food premises under section 19C of that Act.
- “critical non-compliance outcome notification” means a notification received by council under section 19N(3) or (4) of the *Food Act 1984*, or advice given to council by an authorised officer under that Act, of a deficiency that poses an immediate serious threat to public health.
- “food premises” has the same meaning as in the *Food Act 1984*.
- “local road” means a sealed or unsealed road for which the council is the responsible road authority under the *Road Management Act 2004*.
- “major non-compliance outcome notification” means a notification received by a council under section 19N(3) or (4) of the *Food Act 1984*, or advice given to council by an authorised officer under that Act, of a deficiency that does not pose an immediate serious threat to public health but may do so if no remedial action is taken.
- “MCH” means the Maternal and Child Health Service provided by a council to support the health and development of children within the municipality from birth until school age.
- “municipal population” means the resident population based on data published by the Australian Bureau of Statistics on its website.
- “WorkSafe reportable aquatic facility safety incident” means an incident relating to a council aquatic facility that is required to be notified to the Victorian WorkCover Authority under Part 5 of the *Occupational Health and Safety Act 2004*.

## Financial performance indicators

Dimension	Indicator	Result			Forecasts				Material variation
		2015	2016	2017	2018	2019	2020	2021	
Efficiency	<b>Revenue level</b> Average residential rate per residential property assessment [Residential rate revenue/Number of residential property assessments]	\$1,684.24	\$1,789.39	\$1,800.99	\$1,805.50	\$1,810.87	\$1,813.19	\$1,816.84	Please note that for the forecast period the number of assessments have been updated from the budget.
	<b>Expenditure level</b> Expenses per property assessment [Total expenses/Number of property assessments]	\$2,644.84	\$2,503.48	\$2,456.66	\$2,410.64	\$2,386.63	\$2,356.49	\$2,330.19	The decrease over the forecast period is due to cost efficiencies continuing throughout the organisation due to the impact of the state government rate capping framework.  Please note that for the forecast period the number of assessments have been updated from the budget.

Dimension	Indicator	Result			Forecasts				Material variation
		2015	2016	2017	2018	2019	2020	2021	
	<b>Workforce turnover</b> <i>Resignations and terminations compared to average staff</i> [Number of permanent staff resignations and terminations/Average number of permanent staff for the financial year] x100	17.65%	10.83%	10.50%	12.16%	12.70%	11.84%	12.31%	The forecast future years have been estimated using an industry standard.  The 2014-15 result for Workforce Turnover has been updated from 21.32%. The result was erroneously calculated in the 2014-15 Annual Report.
<b>Liquidity</b>	<b>Working capital</b> <i>Current assets compared to current liabilities</i> [Current assets/Current liabilities] x100	198.29%	239.28%	291.58%	143.13%	123.86%	115.47%	102.76%	Current assets increased due to increase in cash and cash equivalents due to Developer Contribution Plan (DCP) income, rates income, and grant income in advance. Victoria Grants Commission (VGC) income of \$5.2m received in advance in 2016-17 has had a positive impact in the current year. Current liabilities remain relatively stable.



Dimension	Indicator	Result			Forecasts				Material variation
		2015	2016	2017	2018	2019	2020	2021	
	<b>Unrestricted cash</b> <i>Unrestricted cash compared to current liabilities</i> [Unrestricted cash/Current liabilities] x100	83.06%	94.59%	48.04%	84.05%	63.54%	52.11%	39.71%	Unrestricted cash has decreased due to change in the report to move 'other financial assets' into a separate line item. Additionally, the inclusion of estimated amount of capital carry-forwards to 2017-18 has also decreased the unrestricted cash amount. For the forecast period, the decrease in unrestricted cash is directly related to the projected lower cash balances due to the drawdown of developer related funds.
<b>Obligations</b>	<b>Asset renewal</b> <i>Asset renewal compared to depreciation</i> [Asset renewal expense/Asset depreciation] x100	44.87%	45.06%	31.54%	52.45%	49.01%	44.90%	53.14%	Depreciation expense has increased as a result of the inclusion of new and contributed assets and revaluation of existing assets, whilst asset renewal expenditure has decreased due to the nature of capital works projects completed this financial year.

Cardinia Shire Council

Performance statement

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Dimension	Indicator	Result			Forecasts				Material variation
		2015	2016	2017	2018	2019	2020	2021	
	<b>Loans and borrowings</b> <i>Loans and borrowings compared to rates</i> [Interest bearing loans and borrowings/Rate revenue] x100	90.69%	70.73%	59.72%	65.02%	60.21%	54.99%	50.39%	Loan balance reduced due to budgeted new loans not taken up and repayment of other loans as due.  Please note the forecast figures do not exactly match the figures in the adopted budget due to the indicators including bank charges.
	<i>Loans and borrowings repayments compared to rates</i> [Interest and principal repayments on interest bearing loans and borrowings/Rate revenue] x100	17.05%	18.25%	10.49%	10.39%	10.89%	10.60%	9.68%	Higher repayment of loans in previous year (2016) due to repayment of loans as due, and increase in rate income.
	<b>Indebtedness</b> <i>Non-current liabilities compared to own-source revenue</i> [Non-current liabilities/Own-source revenue] x100	71.25%	61.34%	58.21%	53.45%	50.07%	45.90%	41.99%	

Dimension	Indicator	Result			Forecasts				Material variation
		2015	2016	2017	2018	2019	2020	2021	
Operating position	<b>Adjusted underlying result</b> <i>Adjusted underlying surplus (or deficit)</i> [Adjusted underlying surplus (deficit)/Adjusted underlying revenue] x100	4.29%	3.88%	13.09%	2.17%	-0.09%	0.60%	0.96%	<p>2017 surplus due to total income up by \$14m mainly due to grant income, including grants in advance, and higher rates and charges income, but expenditure only up \$4m, mainly in materials and services.</p> <p>The decrease in the underlying result in forecasted years is due to the impact of the state government rate capping framework. This has meant that the rate of increase in expenditure is higher than that for revenue, which remains relatively stable over the forecast period.</p> <p>Please note the forecast figures do not exactly match the figures in the adopted budget due to differing methods of calculation in relation to capital grants.</p>

Dimension	Indicator	Result			Forecasts				Material variation
		2015	2016	2017	2018	2019	2020	2021	
Stability	<b>Rates concentration</b> <i>Rates compared to adjusted underlying revenue</i> [Rate revenue/Adjusted underlying revenue] x100	65.14%	72.34%	67.20%	76.63%	79.14%	79.44%	79.96%	<p>The increase across the forecast period is a result of Council's greater reliance on rates as the major source of income, with projected revenue from other sources, including operating grants, statutory fees and fines and user charges, remaining relatively stable over the period. The projected rate increase over the forecast period is 2% each year, coupled with continuing population growth.</p> <p>Please note the forecast figures do not exactly match the figures in the adopted budget due to differing methods of calculation in relation to capital grants and underlying result.</p>

Dimension	Indicator	Result			Forecasts				Material variation
		2015	2016	2017	2018	2019	2020	2021	
	<b>Rates effort</b> <i>Rates compared to property values</i> [Rate revenue/Capital improved value of rateable properties in the municipality] x100	0.42%	0.44%	0.42%	0.41%	0.38%	0.38%	0.35%	

**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 2017.

**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 29 May 2017 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](mailto:mail@cardinia.vic.gov.au)



# ACTIVITY REPORTS