

minutes



CORANGAMITE
SHIRE

CORANGAMITE SHIRE

MEETING OF COUNCIL TUESDAY 29 SEPTEMBER 2020

Held at the Virtual Meeting via ZOOM
at 4.02 pm

COUNCIL:

Cr Neil Trotter (South West Ward)
MAYOR

Cr Ruth Gstrein (Central Ward)
DEPUTY MAYOR

Cr Geraldine Conheady (Central Ward)

Cr Helen Durant (Central Ward)

Cr Simon Illingworth (Coastal Ward)

Cr Lesley Brown (North Ward)

Cr Jo Beard (South Central Ward)

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**MINUTES OF THE MEETING OF THE CORANGAMITE SHIRE
COUNCIL HELD AT VIRTUAL MEETING VIA ZOOM 4.02 PM ON
29 SEPTEMBER 2020**

PRESENT

Councillors	N. Trotter (Chairperson), J. Beard, L. Brown, G. Conheady, H. Durant, R. Gstrein, S. Illingworth
Officers	Andrew Mason, Chief Executive Officer David Rae, Director Corporate and Community Services Adam Taylor, Manager Finance

1. PRAYER

The Prayer was read by the Mayor, Cr N. Trotter.

“We ask for guidance and blessing on this Council. May the true needs and wellbeing of our communities be our concern. Help us, who serve as leaders, to remember that all our decisions are made in the best interests of the people, culture and the environment of the Corangamite Shire.

Amen.”

2. ACKNOWLEDGEMENT OF COUNTRY

An Acknowledgement of Country was made by the Mayor, Cr N. Trotter.

“We acknowledge the Traditional Owners of the land on which we are meeting, and pay our respects to their Elders, past and present.”

3. APOLOGIES

Nil.

4. DECLARATIONS OF CONFLICT OF INTEREST

Nil.

DISCLAIMER

The advice and information contained herein is given by the Council without liability or responsibility for its accuracy. Before placing any reliance on this advice or information, a written enquiry should be made to the Council giving the entire reason or reasons for seeking the advice or information and how it is proposed to be used.

Council meetings are livestreamed on the Internet to provide members of the community greater access to Council decisions and debate. A recording of the meeting will be available on Council’s website after the meeting (usually within 48 hours). Visitors in the public gallery may be filmed and/or recorded during the meeting. By attending the meeting, it is assumed consent is given in the event that this occurs.

**5. CONFIRMATION OF MINUTES
RECOMMENDATION**

That the Minutes of the Corangamite Shire Council meeting held on Tuesday 15 September 2020 be confirmed.

COUNCIL RESOLUTION

MOVED: Cr Gstrein
SECONDED: Cr Brown

That the recommendation be adopted.

CARRIED

6. DEPUTATIONS & PRESENTATIONS

Nil.

7. OFFICERS' REPORTS

7.1 2019-2020 Financial Statements and Performance Report

Author: Adam Taylor, Manager Finance

Previous Council Reference: Nil

Declaration

Chief Executive Officer – Andrew Mason

In providing this advice to Council as the Chief Executive Officer, I have no interests to disclose in this report.

Author - Adam Taylor

In providing this advice to Council as the Manager Finance, I have no interests to disclose in this report.

Summary

This report proposes that Council give in-principle approval to the Financial Statements and Performance Statement for the year ended 30 June 2020 and authorise two Councillors to certify the statements.

The financial result for the year ended 30 June 2020 was a \$378,000 surplus which was lower than our adopted budget surplus of \$1.36 million. All key financial indicators remain generally strong.

Introduction

Pursuant to Section 132 (2) and (5) of the *Local Government Act 1989*, Council is required to give 'in-principle' approval of the 2019-2020 Financial Statements and Performance Statement and authorise two Councillors to approve the statements in their final form. The statements must be in the form and contain the content specified by the *Local Government (Finance and Reporting) Regulations 2014*.

Council must not submit the statements to its Auditor or the Minister unless it has passed a resolution giving its in-principle approval to the statements. Legislation also recognises that further changes may be made to the statements, and therefore Council must authorise two Councillors to certify the Financial Statements and the Performance Statement in their final form after any changes recommended or agreed to by the auditor have been made.

Issues

The Victorian Auditor General's Office (VAGO) is responsible under the *Audit Act 1994* for the audit of Council's Financial Statements and Performance Statement. Auditors from McLaren Hunt, agents on behalf of VAGO, completed a large portion of their audit offsite between 6 and 7 August 2020

For 2019-2020, an operating surplus of \$378,000 was achieved compared to an adopted budgeted surplus of \$1.36 million. Explanatory commentary on major variations against

Council's 2019-2020 Adopted Budget are included in the notes to the Financial Statements (note 1.1) and provided below.

Income	Variance Favourable / (Unfavourable)	Comment
User Fees	(\$228,000)	Reduction in landfill fees (\$365,000) due to loss of contract offset by increase in building fee income (\$97,000).
Grants - operating	\$1,504,000	Unbudgeted grants received for Working for Victoria program (\$460,000) and natural disaster funding carried forward from previous year (\$966,000).
Grants - capital	(\$163,000)	Payments not received for carry forward projects (\$588,000) offset against additional funding received for Roads to Recovery (\$457,000).
Contributions - Monetary	\$465,000	Contributions from Berrybank Windfarm received (\$479,000) that were not included as monetary contributions in Budget.
Other income	\$743,000	Reassessment of useful life of landfill assets (\$422,000) and additional investment income (\$210,000).
Total	\$2,321,000	

Table 1: Major variances to adopted budget - Income

Expense	Variance Favourable / (Unfavourable)	Comment
Employee Costs	\$323,000	Savings made in employee costs due to multiple unfilled positions throughout financial year.
Materials and services	\$426,000	Budgeted landfill projects not completed at year end to be carried into 2020-2021 year (\$463,000).
Depreciation	(\$232,000)	Additional depreciation on roads (\$492,000), buildings (\$495,000) and plant and equipment (\$229,000) offset by lower depreciation on landfill cells (\$1,071,000).
Amortisation – Intangible assets	(\$229,000)	Landfill airspace amortisation not budgeted (\$229,000).
Amortisation – Right of use assets	(\$250,000)	Adoption of AASB16 Leases resulted in lease expenditure which was not budgeted (\$250,000).
Net loss on disposal of property, infrastructure, plant and equipment	(\$3,028,000)	Proceeds from the disposal of Light Fleet, Heavy Plant and Buildings (\$240,000) offset by the written-down value of plant and infrastructure assets disposed (\$3,267,000).
Fair value adjustments	(\$201,000)	Updated CPI and discount rates have increased the Net Present Value for rehabilitation of the Naroghid landfill site.
Total	(\$3,191,000)	

Table 2: Major variances to adopted budget - Expenses

The Performance Statement is attached and includes sustainable capacity indicators, service performance indicators from across the organisation and financial performance indicators as prescribed in the *Local Government (Finance and Reporting) Regulations 2014*. The Performance Statement includes the actual results achieved in 2019-2020 for all of the prescribed indicators, as well as, the forecast estimates for the years 2021-2024 for each of the performance indicators.

Key financial performance indicators for 2019-2020 are summarised below.

Performance Measure	Actual Performance		Forecast Performance			
	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Working capital	603%	350%	389%	331%	308%	278%
Indebtedness	12%	41%	13%	13%	13%	13%
Asset renewal	80%	93%	115%	110%	97%	137%

Table 3: Local Government Performance Report Framework – Key financial indicators

Indebtedness has increased due to the change in accounting standard requiring the recognition of future lease payments. The asset renewal was below 100% due to a number of large-scale multi-year projects that are still in progress at the end of the year, the average will remain above 100% over the forecast period.

The Financial Statements have been prepared in accordance with the requirements of the *Local Government Act 1989*, *Local Government (Finance and Reporting) Regulations 2014* and Australian Accounting Standards.

The financial statements have many adjustments for the application of new accounting standards which include:

- *AASB 16 Leases* which requires all future lease payments to be disclosed on the balance sheet, and
- *AASB 15 Revenue with Contracts from Customers* which requires certain revenue items to be accrued until performance obligation have been satisfied.

Policy and Legislative Context

The report is in accordance with the requirements of the *Local Government Act 1989* and supports the commitments in the Council Plan 2017-2021 that:

We are committed to ensuring the ethical behaviour of Councillors and staff, maintaining good governance and remaining financially sustainable.

Council will make budgetary decisions that ensures Council remains in a strong financial position now and into the future.

Council will deliver value for money by ensuring that services are required and delivered efficiently and sustainably.

Internal / External Consultation

The various statements are subject to audit by the Victorian Auditor General's Office. A draft set of statements was referred to a meeting of Council's Audit Committee on 17 September 2020. Auditors from McLaren Hunt, as agents for VAGO, were in attendance to discuss the statements and their observations from the audit. The Audit Committee has recommended that Council give in-principle approval to the statements.

Once the final statements have been prepared and certified by the nominated Councillors, they will form part of Council's Annual Report which will be forwarded to the Minister by 30 November 2020 and be made available on Council's website and at Council offices. Council will consider the annual report on 20 October 2020.

Financial and Resource Implications

There are no direct financial and resource consequences as a result of this report.

Options

In-principle approval of the statements by Council is required to ensure that Council meets the requirements of the *Local Government Act 1989*. Council may choose which Councillors are authorised to certify them.

Conclusion

In-principle approval of the statements at this meeting, and authorisation of two Councillors to certify the final copy, will ensure that they are lodged with the Minister within the required timeframe. Council practice has been to nominate the members of the Audit Committee to certify the statements.

RECOMMENDATION

That:

1. Pursuant to Section 132(2) of the *Local Government Act 1989*, Council gives in-principle approval to the Financial Statements and Performance Statement for the year ended 30 June 2020.
2. Pursuant to Section 132(5) of the *Local Government Act 1989*, Council authorises Councillors Durant and Brown to certify the 2019-2020 Financial Statements and Performance Statement in their final form after any changes recommended or agreed to by the auditors have been made.

COUNCIL RESOLUTION

MOVED: Cr Gstrein

SECONDED: Cr Beard

That the recommendation be adopted.

CARRIED

Attachments

1. 2019-2020 Financial Statements
2. 2019-2020 Performance Statement

Corangamite Shire Council
ANNUAL FINANCIAL REPORT

For the Year Ended 30 June 2020

Corangamite Shire Council
Financial Report
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Corangamite Shire Council
2019-2020 Financial Report

Certification of the Financial Statements

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

Adam Taylor
Principal Accounting Officer

Date : 29-Sep-20

Camperdown, Victoria

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

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

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

Helen Durant

Councillor

Date : 29-Sep-20

Camperdown, Victoria

Lesley Brown

Councillor

Date : 29-Sep-20

Camperdown, Victoria

Andrew Mason

Chief Executive Officer

Date : 29-Sep-20

Camperdown, Victoria

*Corangamite Shire Council
2019-2020 Financial Report*

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Corangamite Shire Council
2019-2020 Financial Report

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

	Note	2020 \$'000	2019 \$'000
Income			
Rates and charges	3.1	22,095	21,609
Statutory fees and fines	3.2	474	502
User fees	3.3	5,786	6,193
Grants - operating	3.4	12,911	21,091
Grants - capital	3.4	4,200	4,217
Contributions - monetary	3.5	704	183
Contributions - non monetary	3.5	-	1,267
Share of net profits of associates and joint ventures	6.2	35	28
Other income	3.7	1,603	1,754
Total income		47,809	56,844
Expenses			
Employee costs	4.1	(14,817)	(14,823)
Materials and services	4.2	(12,629)	(13,062)
Depreciation	4.3	(13,088)	(12,923)
Amortisation - intangible assets	4.4	(229)	-
Amortisation - right of use assets	4.5	(250)	-
Bad and doubtful debts	4.6	(13)	(104)
Net loss on disposal of property, infrastructure, plant and equipment	3.6	(3,028)	(4,584)
Borrowing costs		-	-
Finance costs - leases	4.7	(99)	-
Fair value adjustments	5.5	(201)	(204)
Other expenses	4.8	(3,077)	(3,932)
Total expenses		(47,431)	(49,632)
Surplus/(deficit) for the year		378	7,212
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	6.1	26,970	(484)
Total comprehensive result		27,347	6,728

Corangamite Shire Council
2019-2020 Financial Report

**Balance Sheet
As at 30 June 2020**

	Note	2020 \$'000	2019 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1	5,586	2,291
Trade and other receivables	5.1	2,527	3,766
Other financial assets	5.1	33,649	31,038
Inventories	5.2	47	65
Other assets	5.2	647	970
Total current assets		42,456	38,130
Non-current assets			
Trade and other receivables	5.1	14	24
Investments in associates, joint arrangements and subsidiaries	6.2	328	293
Property, infrastructure, plant and equipment	6.1	480,491	455,249
Right-of-use assets	5.8	6,232	-
Intangible assets	5.2	1,335	67
Total non-current assets		488,400	455,633
Total assets		530,856	493,763
Liabilities			
Current liabilities			
Trade and other payables	5.3	3,155	2,111
Trust funds and deposits	5.3	245	226
Provisions	5.5	3,916	4,000
Unearned Revenue	5.4	4,634	-
Lease liabilities	5.8	180	-
Total current liabilities		12,130	6,337
Non-current liabilities			
Provisions	5.5	6,051	3,759
Lease liabilities	5.8	6,161	-
Total non-current liabilities		12,212	3,759
Total liabilities		24,341	10,096
Net assets		506,515	483,667
Equity			
Accumulated surplus		176,273	185,223
Reserves	9.1	330,242	298,444
Total Equity		506,515	483,667

Corangamite Shire Council
2019-2020 Financial Report

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

	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2020					
Balance at beginning of the financial year		483,667	185,223	290,264	8,180
Impact of change in accounting policy - AASB 15 Revenue from Contracts with Customers	10	(4,500)	(4,500)	-	-
Adjusted Opening balance		479,167	180,723	290,264	8,180
Surplus/(deficit) for the year		378	378	-	-
Net asset revaluation increment/(decrement)	6.1	26,970	-	26,970	-
Transfers to other reserves	9.1	-	(5,070)	-	5,070
Transfers from other reserves	9.1	-	241	-	(241)
		27,347	(4,450)	26,970	4,828
Balance at end of the financial year		506,514	176,273	317,234	13,008
2019					
Balance at beginning of the financial year		476,939	184,171	290,748	2,020
Surplus/(deficit) for the year		7,212	7,212	-	-
Net asset revaluation increment/(decrement)	6.1	(484)	-	(484)	-
Transfers to other reserves	9.1	-	(6,262)	-	6,262
Transfers from other reserves	9.1	-	102	-	(102)
Balance at end of the financial year		483,667	185,223	290,264	8,180

Corangamite Shire Council
2019-2020 Financial Report

Statement of Cash Flows
For the Year Ended 30 June 2020

	Note	2020 Inflows/ (Outflows) \$'000	2019 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		22,122	21,609
Statutory fees and fines		474	502
User fees		7,428	4,959
Grants - operating		12,904	21,091
Grants - capital		4,200	4,217
Contributions - monetary		704	183
Interest received		803	579
Reimbursement		-	123
Trust funds and deposits taken		2,773	-
Other receipts		470	413
Net GST refund/(payment)		(50)	172
Employee costs		(14,780)	(14,679)
Materials and services		(11,015)	(14,651)
Trust funds and deposits repaid		(2,754)	(79)
Fire service property levy		-	69
Other payments		(3,038)	(3,185)
Net cash provided by/(used in) operating activities	9.2	20,241	21,323
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	6.1	(14,303)	(12,075)
Proceeds from sale of property, infrastructure, plant and equipment		239	440
Payments for investments		(24,650)	(12,000)
Proceeds from sale of investments		21,999	-
Proceeds from repayments of loans and advances		9	63
Net cash provided by/(used in) investing activities		(16,706)	(23,572)
Cash flows from financing activities			
Interest paid - lease liability		(98)	-
Repayment of lease liabilities		(142)	-
Net cash provided by/(used in) financing activities		(240)	-
Net increase (decrease) in cash and cash equivalents		3,295	(2,249)
Cash and cash equivalents at the beginning of the financial year		2,291	4,540
Cash and cash equivalents at the end of the financial year		5,586	2,291
Financing arrangements	5.6		
Restrictions on cash assets	5.1		

Corangamite Shire Council
2019-2020 Financial Report

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

	2020 \$'000	2019 \$'000
Property		
Land	335	-
Total land	<u>335</u>	<u>-</u>
Buildings	1,261	201
Heritage buildings	254	176
Total buildings	<u>1,515</u>	<u>377</u>
Total property	<u>1,850</u>	<u>377</u>
Plant and equipment		
Plant, machinery and equipment	1,858	1,105
Fixtures, fittings and furniture	-	12
Computers and telecommunications	131	278
Total plant and equipment	<u>1,988</u>	<u>1,395</u>
Infrastructure		
Roads	8,426	6,298
Bridges	458	1,862
Footpaths and cycleways	410	189
Drainage	12	86
Recreational, leisure and community facilities	261	95
Parks, open space and streetscapes	451	285
Kerb and channel	207	284
Retaining walls and small culverts	80	92
Waste management	159	1,113
Total infrastructure	<u>10,464</u>	<u>10,304</u>
Total capital works expenditure	<u>14,303</u>	<u>12,076</u>
Represented by:		
New asset expenditure	2,105	1,863
Asset renewal expenditure	10,078	9,808
Asset upgrade expenditure	2,120	405
Total capital works expenditure	<u>14,303</u>	<u>12,076</u>

OVERVIEW

Introduction

The Corangamite Shire Council was established by an Order of the Governor in Council on 23 September 1994 and is a body corporate.
The Council's main office is located at 181 Manifold Street, Camperdown, Victoria 3260.

Statement of compliance

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

Significant accounting policies

(a) Basis of accounting

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.1)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.1)
- the determination of employee provisions (refer to Note 5.5)
- the determination of landfill provisions (refer to Note 5.5)
- the determination of airspace assets (refer to Note 5.2)
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of *AASB 15 Revenue from Contracts with Customers* or *AASB 1058 Income of Not-for-Profit Entities* (refer to Note 3)
- the determination, in accordance with *AASB 16 Leases*, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.8)
- other areas requiring judgements

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

(b) Rounding

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

Note 1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 10 percent and at least \$100,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

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

1.1 Income and expenditure

	Budget 2020 \$'000	Actual 2020 \$'000	Variance 2020 \$'000	Variance 2020 % Ref
Income				
Rates and charges	22,034	22,095	61	0%
Statutory fees and fines	443	474	31	7%
User fees	6,014	5,786	(228)	-4% 1
Grants - operating	11,407	12,911	1,504	13% 2
Grants - capital	4,363	4,200	(163)	-4% 3
Contributions - monetary	239	704	465	195% 4
Share of net profits/(losses) of associates and joint ventures	-	35	35	100%
Other income	860	1,603	743	86% 5
Total income	45,360	47,809	2,449	5%
Expenses				
Employee costs	(15,140)	(14,817)	323	-2% 6
Materials and services	(13,055)	(12,629)	426	-3% 7
Depreciation	(12,856)	(13,088)	(232)	2% 8
Amortisation - Intangible assets	-	(229)	(229)	100% 9
Amortisation - Right of use assets	-	(250)	(250)	100% 10
Bad and doubtful debts	(3)	(13)	(10)	347%
Net loss on disposal of property, infrastructure, plant and equipment	-	(3,028)	(3,028)	100% 11
Finance costs - Leases	-	(99)	(99)	100%
Fair value adjustments	-	(201)	(201)	100% 12
Other expenses	(2,941)	(3,077)	(136)	5%
Total expenses	(43,995)	(47,431)	(3,436)	8%
Surplus/(deficit) for the year	1,365	378	(987)	-72%
Other comprehensive income				
Items that will not be reclassified to surplus or deficit in future periods				
Net asset revaluation increment/(decrement)	10,000	26,970	(16,970)	-170% 13
Total comprehensive result	11,365	27,347	(15,982)	-141%

Corangamite Shire Council
2019-2020 Financial Report

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

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	User fees	Reduction in landfill fees (\$365,000) due to loss of contract offset by increase in building fee income (\$97,000).
2	Grants - operating	Unbudgeted grants received for Working for Victoria program (\$460,000) and natural disaster funding carried forward from previous year (\$966,000)
3	Grants - capital	Payments not received for carry forward projects (\$588,000) offset against additional funding received for Roads to Recovery (\$457,000)
4	Contributions - monetary	Contributions from Berrybank Windfarm received (\$479,000) that were not included as monetary contributions in Budget.
5	Other income	Reassessment of useful life of landfill assets (\$422,000) and additional investment income (\$210,000).
6	Employee costs	Savings made in employee costs due to multiple unfilled positions throughout financial year.
7	Materials and services	Budgeted landfill projects not completed at year end to be carried into 2020-2021 year (\$463,000)
8	Depreciation	Additional depreciation on roads (\$492,000), buildings (\$495,000) and plant and equipment (\$229,000) offset by lower depreciation on landfill cells (\$1,071,000)
9	Amortisation - Intangible assets	Landfill airspace amortisation not budgeted (\$229,000).
10	Amortisation - Right of use assets	Adoption of AASB16 Leases resulted in lease expenditure which was not budgeted (\$250,000).
11	Net loss on disposal of property, infrastructure, plant and equipment	Proceeds from the disposal of Light Fleet, Heavy Plant and Buildings (\$240,000) offset by the written-down value of plant and infrastructure assets disposed (\$3,267,000).
12	Fair value adjustments	Updated CPI and discount rates have increased the Net Present Value for rehabilitation of the Naroghid landfill site.

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1.2 Capital works

	Budget 2020 \$'000	Actual 2020 \$'000	Variance \$'000	Variance % Ref
Property				
Land	-	335	335	100% 1
Land improvements	-	-	-	100%
Total land	-	335	335	100%
Buildings	1,401	1,261	(140)	-10% 2
Heritage buildings	-	254	254	100% 3
Total buildings	1,401	1,515	114	8%
Total property	1,401	1,850	449	32%
Plant and equipment				
Plant, machinery and equipment	1,529	1,858	329	21% 4
Computers and telecommunications	142	131	(11)	-8%
Total plant and equipment	1,671	1,988	317	19%
Infrastructure				
Roads	8,239	8,426	187	2% 5
Bridges	610	458	(152)	-25% 6
Footpaths and cycleways	206	410	204	99% 7
Drainage	250	12	(238)	-95% 8
Recreational, leisure and community facilities	-	261	261	100% 9
Parks, open space and streetscapes	1,802	451	(1,351)	-75% 10
Kerb and channel	233	207	(26)	-11%
Retaining walls and small culverts	-	80	80	100%
Waste management	295	159	(136)	-46% 11
Artworks	50	-	(50)	-100%
Total infrastructure	11,685	10,464	(1,221)	-10%
Total capital works expenditure	14,757	14,303	(454)	-3%
Represented by:				
New asset expenditure	2,503	2,105	(398)	-16%
Asset renewal expenditure	9,489	10,078	589	6%
Asset upgrade expenditure	2,765	2,120	(645)	-23%
Total capital works expenditure	14,757	14,303	(454)	-3%

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	An opportunity to purchase the land on which the Timboon transfer station operates was made available during the year. This was not apart of the original budget.
2	Buildings	\$254,000 of works completed were carried forward from the previous year. \$430,000 of budgeted work carried forward to 2020-2021
3	Heritage buildings	All expenditure relates to projects carried forward from the previous year.
4	Plant, machinery and equipment	Purchase of one piece of equipment was carried forward from the previous year (\$490,000) offset against savings achieved in light fleet (\$177,000)
5	Roads	Some purchases have been transferred to operating expenses as they were not able to be recognised as assets (\$321,000). Projects cared forward from the prior year (\$464,000) and projects carried forward to future years (\$777,000)

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6	Bridges	The unspent funds of \$238,000 will all be carried forward to complete in the 2020-2021 year
7	Footpaths and cycleways	\$213,000 relates to carry forward projects from the prior year
8	Drainage	The unspent funds of \$238,000 will all be carried forward to complete in the 2020-2021 year
9	Recreational, leisure and community facilities	The actual spend relates to carry forward projects from the previous year \$261,000
10	Parks, open space and streetscapes	The majority of the budget was for Twelve Apostles trail (\$1.48M) and Derrinalum streetscape (\$200,000) which have both only partially been completed and carried forward to future years.
11	Waste management	The \$295,000 budget was for a new office and sheds at landfill site which will be capitalised as buildings when completed. The actual spend of \$159,000 was the amount spent on cell construction which was not budgeted as capital.

Note 2 Analysis of Council results by program

Council delivers its functions and activities through the following directorates.

2 (a) Executive

The Chief Executive's Office works closely with Council, advocating on behalf of the Shire on issues of community importance and ensuring the Shire's business affairs are open and accessible.

Corporate and Community Services

The Corporate and Community Services directorate is responsible for disabled, aged and children's services, finance, human resources, risk management, information services, rating and contract coordination.

Sustainable Development

The Sustainable Development directorate is responsible for public safety and amenity, building and planning, strategic planning and environment and economic development and tourism.

Works and Services

The Works and Services directorate is responsible for recreation, infrastructure works and services and asset planning.

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Note 2.1 Analysis of Council results by program

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

	Income	Expenses	Surplus/(Deficit)	Grants included in income	Total Assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2020					
Executive	1	(873)	(872)	-	-
Corporate and Community Services	33,947	(22,319)	11,628	11,691	43,200
Sustainable Development	4,008	(9,864)	(5,856)	376	9,640
Works and Services	9,728	(14,331)	(4,603)	4,954	478,015
Total	47,684	(47,387)	297	17,021	530,856

	Income	Expenses	Surplus/(Deficit)	Grants included in income	Total Assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2019					
Executive	1	(873)	(872)	-	-
Corporate and Community Services	42,095	(27,447)	14,648	15,653	38,888
Sustainable Development	4,300	(8,554)	(4,254)	525	895
Works and Services	10,448	(12,758)	(2,310)	9,130	453,980
Total	56,844	(49,632)	7,212	25,308	493,763

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

Council uses capital improved value as the basis of valuation of all properties within the municipal district. The capital improved value of a property is its market value.
The valuation base used to calculate general rates for 2019-2020 was \$5.243 billion (2018-2019 \$5.011 billion).

General rates	8,174	7,867
Municipal charge	1,718	1,677
Waste management charge	1,856	1,942
Farm/Rural	10,239	10,036
Vacant Industrial Land rates	15	15
Supplementary rates and rate adjustments	59	51
Cultural and recreational land rates	6	6
Revenue in lieu of rates	28	15
Total rates and charges	22,095	21,609

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

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

3.2 Statutory fees and fines

Landfill Levy	126	111
Town planning fees	219	258
Health Registrations	91	92
Permits	25	27
Infringements and costs	13	14
Total statutory fees and fines	474	502

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

3.3 User fees

Landfill	2,236	2,519
Private Works	540	621
Transfer stations	95	85
Family Day Care	671	842
Mobile Child Care	370	307
Safeyards	10	14
Local Laws	117	118
Aged & Disability Services	726	603
Kindergartens	203	257
Building Services	332	331
Other fees and charges	486	496
Total user fees	5,786	6,193

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

3.4 Funding from other levels of government

Grants were received in respect of the following:

Summary of grants	2020	2019
Commonwealth funded grants	11,811	11,099
State funded grants	5,210	14,209
Total grants received	17,021	25,308

(a) Operating Grants

Recurrent - Commonwealth Government

Financial Assistance Grants	8,341	8,274
Family and children	353	387
Aged Services	832	745

Recurrent - State Government

Aged & Disability Services	136	225
Community health	2	28
Environment	62	67
Families and children	1,158	1,024
Maternal and child health	289	248
School Crossings	-	49
Youth Services	55	55
Total recurrent operating grants	11,228	11,102

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	2020	2019
Non-recurrent - State Government	\$'000	\$'000
Community Planning	13	17
Community Services	59	1
Environment	32	133
Emergency	34	59
Facilities Management	20	184
Natural Disaster	966	4,788
Recreation Projects	3	24
Recycling Grant	-	12
Rural Councils Transformation Program	-	4,595
Works & Services Management	90	105
Working For Victoria	458	-
Youth	8	71
Total non-recurrent operating grants	1,683	9,989
Total operating grants	12,911	21,091
(b) Capital Grants		
Recurrent - Commonwealth Government		
Roads to recovery	1,707	1,585
Total recurrent capital grants	1,707	1,585
Non-recurrent - Commonwealth Government		
Roads to recovery	579	30
Buildings	-	54
Family and children	-	24
Non-recurrent - State Government		
Bridges	500	1,050
Buildings	-	82
Roads	1,054	1,279
Community Planning	-	8
Environment	35	38
Parks and Gardens	-	7
Public Conveniences	125	-
Camperdown Theatre	64	-
Waste Management	137	60
Total non-recurrent capital grants	2,494	2,632
Total capital grants	4,200	4,217
(c) Unspent grants received on condition that they be spent in a specific manner		
Operating		
Balance at start of year	4,560	138
Received during the financial year and remained unspent at balance date	816	4,560
Received in prior years and spent during the financial year	(149)	(138)
Balance at year end	5,227	4,560
Capital		
Balance at start of year	-	-
Received during the financial year and remained unspent at balance date	842	-
Received in prior years and spent during the financial year	-	-
Balance at year end	842	-

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

3.5 Contributions

Monetary		
Community Services	63	100
Community Planning	38	-
Contributions - Special Charge Scheme	-	16
Cultural Development	50	-
Economic Development	14	-
Environment	30	5
Environment and Emergency Services	62	-
Environmental Health	6	21
Halls	180	9
Killara / Theatre Complex	-	13
Recreation Reserves	80	-
Stadiums	42	-
Streetscapes	50	-
Youth	20	-
Other monetary contributions	69	19
Total monetary contributions	704	183
<i>Contributions of non monetary assets were received in relation to the following asset classes:</i>		
Land - Mount Noorat	-	1,267
Total non-monetary contributions	-	1,267
Total contributions	704	1,450

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

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	2020 \$'000	2019 \$'000
3.6 Net gain/(loss) on disposal of property, infrastructure, plant and equipment		
Proceeds of sale	239	440
Written down value of assets disposed	(3,267)	(5,024)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	(3,028)	(4,584)

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

3.7 Other income

Interest ¹	711	579
Reassessment of useful life of waste assets ²	422	-
Fuel Tax Credits	181	189
Assets recognised for the first time - land recognised as controlled	-	639
Insurance reimbursement	89	89
Interest on rates	69	104
Fees - Funding FSPL Collection	46	45
Legal costs recovered	33	35
Sundry income	50	75
Total other income	1,603	1,754

¹Interest is recognised as it is earned.

²Management reassessed the remaining airspace in constructed cells resulting in a \$422,000 net credit.

Note 4 The cost of delivering services

4.1 (a) Employee costs

Wages and Salaries	11,301	11,249
Annual leave and long service leave	1,545	1,552
Superannuation	1,376	1,397
Workcover	285	303
Employee Benefits	140	135
Fringe Benefits Tax	170	187
Total employee costs	14,817	14,823

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	148	150
Employer contributions payable at reporting date.	-	1

Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	968	1,018
Employer contributions - other funds	582	496
Employer contributions payable at reporting date.	-	56

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

4.2 Materials and services

Contracts	7,522	7,699
Internal Recoveries	2,790	2,983
Fleet Costs	1,223	1,330
Utilities	519	466
Telephone and Internet	296	299
Subscriptions, Publications, Memberships	115	108
Printing and Stationery	67	76
Postage	46	51
Bank Charges	51	50
Total materials and services	12,629	13,062

4.3 Depreciation

Property	1,505	1,508
Plant and equipment	1,449	1,401
Infrastructure	10,134	10,014
Total depreciation	13,088	12,923

Refer to note 6.1 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

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	2020 \$'000	2019 \$'000
4.4 Amortisation - Intangible assets		
Landfill Airspace	229	-
Total Amortisation - Intangible assets	229	-
4.5 Amortisation - Right of use assets		
Property	148	-
Plant and equipment	102	-
Total Amortisation - Right of use assets	250	-
4.6 Bad and doubtful debts		
Other debtors	13	104
Total bad and doubtful debts	13	104
Movement in provisions for doubtful debts		
Balance at the beginning of the year	118	17
New provisions recognised during the year	13	101
Balance at end of year	131	118
Provision for doubtful debt is recognised based on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment.		
4.7 Finance Costs - Leases		
Interest - Lease Liabilities	99	-
Total finance costs	99	-
4.8 Other expenses		
Council Contributions	1,438	1,283
Derecognition of assets	-	917
Insurance	616	581
Councillor Allowances	218	246
Advertising	188	181
Rent, Rates and Charges	31	171
Legal Costs	255	309
Victorian Auditor General External Audit Expenses	50	47
Internal Audit Expenses	45	19
Meals and Accommodation	47	66
Unrealised loss on investments	40	-
Levies	21	21
Other expenses	126	91
Total other expenses	3,077	3,932

Note 5 Our financial position

5.1 Financial assets

(a) Cash and cash equivalents

Cash on hand	2	2
Cash at bank	5,584	2,289
Total cash and cash equivalents	5,586	2,291

(b) Other financial assets

Term deposits - current	28,540	31,000
Economic Development Loans	15	38
Managed Funds - Victorian Funds Management Corporation	5,094	-
Total other financial assets	33,649	31,038
Total financial assets	39,235	33,329

Council's cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:

- Trust funds and deposits (Note 5.3)	245	226
Total restricted funds	245	226
Total unrestricted cash and cash equivalents	5,341	2,065

Intended allocations

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

- Open space developer contributions	26	43
- Trust funds and deposits	245	226
- Grants received but not acquitted	5,227	4,560
Total funds subject to intended allocations	5,497	4,829

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

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

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	2020 \$'000	2019 \$'000
(c) Trade and other receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	916	943
Net GST Receivable	237	187
<i>Non statutory receivables</i>		
Loans and advances to community organisations	2	9
Other debtors	1,504	2,745
Provision for doubtful debts - other debtors	(132)	(118)
Total current trade and other receivables	<u>2,527</u>	<u>3,766</u>
Non-current		
<i>Statutory receivables</i>		
Special rate scheme	14	22
<i>Non statutory receivables</i>		
Loans and advances to community organisations	-	2
Total non-current trade and other receivables	<u>14</u>	<u>24</u>
Total trade and other receivables	<u>2,541</u>	<u>3,790</u>

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

(d) Ageing of Receivables

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

Current (not yet due)	1,229	2,625
Past due by up to 30 days	16	3
Past due between 31 and 180 days	70	3
Past due between 181 and 365 days	3	3
Past due by more than 1 year	188	121
Total trade and other receivables	<u>1,506</u>	<u>2,754</u>

(e) Ageing of individually impaired Receivables

At balance date, other debtors representing financial assets with a nominal value of \$131,559 (2019: \$118,136) were impaired. The amount of the provision raised against these debtors was \$131,559 (2019: \$118,136). They individually have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

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

Current (not yet due)	-	-
Past due by up to 30 days	-	-
Past due between 31 and 180 days	-	-
Past due between 181 and 365 days	-	-
Past due by more than 1 year	132	118
Total trade & other receivables	<u>132</u>	<u>118</u>

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5.2 Non-financial assets	2020	2019
(a) Inventories	\$'000	\$'000
Inventories held for distribution	36	53
Inventories held for sale	11	11
Total inventories	47	65

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

(b) Other assets

Prepayments	378	358
Accrued income	269	612
Total other assets	647	970

(c) Intangible assets

Landfill air space	1,335	67
Total intangible assets	1,335	67

Landfill
\$'000

Gross carrying amount

Balance at 1 July 2019	67
Additions	2,050
Reassessment of useful life	(554)
Balance at 1 July 2020	1,563

Accumulated amortisation and impairment

Balance at 1 July 2019	-
Amortisation expense	229
Balance at 1 July 2020	229

Net book value at 30 June 2019	67
Net book value at 30 June 2020	1,335

Landfill airspace intangible assets are amortised as the remaining cell capacity is consumed. Estimates of the remaining useful lives and amortisation method are reviewed at least annually, and adjustments made where appropriate. During the year a change in estimate was made (refer Note 5.5)

5.3 Payables	2020	2019
(a) Trade and other payables	\$'000	\$'000
Trade payables	2,520	1,489
Accrued expenses	635	622
Total trade and other payables	3,155	2,111
(b) Trust funds and deposits		
Refundable deposits	42	48
Fire services levy	96	69
Amounts held in trust	107	109
Total trust funds and deposits	245	226
5.4 Unearned income		
Contributions received in advance	1,224	-
Grants received in advance - operating	3,410	-
Total unearned income	4,634	-

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

Purpose and nature of items

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

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

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5.5 Provisions

	Employee \$ '000	Landfill restoration \$ '000	Total \$ '000
2020			
Balance at beginning of the financial year	4,236	3,522	7,759
Additional provisions	1,956	2,050	4,006
Amounts used	(1,701)	-	(1,701)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(297)	201	(96)
Balance at the end of the financial year	4,194	5,773	9,966

2019			
Balance at beginning of the financial year	4,121	3,290	7,411
Additional provisions	1,758	-	1,758
Amounts used	(1,683)	-	(1,683)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	41	232	273
Balance at the end of the financial year	4,236	3,522	7,759

	2020 \$'000	2019 \$'000
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	903	866
Rostered Days Off	123	101
Long service leave	363	401
	<u>1,388</u>	<u>1,368</u>
Current provisions expected to be wholly settled after 12 months		
Annual leave	214	209
Long service leave	2,313	2,423
	<u>2,527</u>	<u>2,632</u>
Total current employee provisions	<u>3,916</u>	<u>4,000</u>
Non-current		
Long service leave	278	237
Total non-current employee provisions	<u>278</u>	<u>237</u>
Aggregate carrying amount of employee provisions:		
Current	3,916	4,000
Non-current	278	237
Total aggregate carrying amount of employee provisions	<u>4,194</u>	<u>4,237</u>

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

Wages and salaries and annual leave

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

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

Long service leave

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

Key assumptions:

- discount rate	0.87%	1.32%
- oncost rate	11.50%	11.50%
- inflation rate	2.50%	3.00%

	2020 \$'000	2019 \$'000
(b) Landfill restoration		
Current	-	-
Non-current	5,773	3,522
	<u>5,773</u>	<u>3,522</u>

Council is obligated to restore Naroghid Landfill and Noorat Landfill site to a particular standard. The forecast life of the site is based on current estimates of remaining capacity and the forecast rate of infill. The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to reinstatement the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

Key assumptions:

- discount rate	3.01%	2.40%
- inflation rate	2.25%	1.60%
- estimated cost to rehabilitate	9,063	7,033

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5.6 Financing arrangements

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

Bank overdraft	960	960
Credit card facilities	1,000	1,000
Total facilities	1,960	1,960
Used facilities	161	37
Unused facilities	1,799	1,923

5.7 Commitments

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

2020	Not later than 1	Later than 1	Later than 2	Later than 5	Total
	year	year and not	years and not	years	
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Recycling	374	379	385	-	1,138
Garbage collection	566	574	583	-	1,723
Green waste collection	445	451	458	-	1,354
Street litter bins	95	96	97	-	288
Skip bin transfer	109	111	113	-	333
Cleaning of Council buildings	37	-	-	-	37
Recreation facility management	107	-	-	-	107
Banking	51	52	-	-	103
Home care services	265	223	-	-	489
Water quality monitoring	43	44	89	-	175
Landfill Geosynthetics	566	86	-	-	652
Plant and Equipment	158	161	329	-	648
Photocopiers	28	28	29	-	85
Total	2,844	2,206	2,082	-	7,132
Capital					
Recreational, leisure and community	314	-	-	-	314
Streetscapes	76	-	-	-	76
Total	390	-	-	-	390
2019					
Operating					
Recycling	384	-	-	-	384
Garbage collection	571	-	-	-	571
Green waste collection	459	-	-	-	459
Street litter bins	96	-	-	-	96
Skip bin transfer	106	-	-	-	106
Maintenance of Council buildings	84	-	-	-	84
Cleaning of Council buildings	74	77	-	-	151
Recreation facility management	702	403	-	-	1,105
Banking	52	4	-	-	56
Home care services	224	188	193	-	605
Water quality monitoring	43	45	143	-	231
Landfill Geosynthetics	365	232	91	-	688
Plant and Equipment	828	150	479	-	1,457
Photocopiers	28	29	61	-	118
Total	4,016	1,128	967	-	6,111
Capital					
Culverts	345	-	-	-	345
Streetscapes	1,775	-	-	-	1,775
Road sealing	1,047	-	-	-	1,047
Landfill and transfer stations	485	-	-	-	485
Total	3,652	-	-	-	3,652

5.8 Leases

Policy applicable before 1 July 2019

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

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

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

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

Policy applicable after 1 July 2019

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

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

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

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

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

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

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

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

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

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

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

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

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

Council has a small number of peppercorn leases which are used for a variety of purposes.

Right-of-Use Assets	Property	Plant & Equipment	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2019	5,800	-	5,800
Additions	-	682	682
Amortisation charge	(148)	(102)	(250)
Balance at 30 June 2020	<u>5,652</u>	<u>580</u>	<u>6,232</u>

Lease Liabilities	2020
Maturity analysis - contractual undiscounted cash flows	\$'000
Less than one year	279
One to five years	1,037
More than five years	7,717
Total undiscounted lease liabilities as at 30 June:	<u>9,032</u>

Lease liabilities included in the Balance Sheet at 30 June:

Current	180
Non-current	6,161
Total lease liabilities	<u>6,341</u>

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Short-term and low value leases

Council has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value of less than \$10,000. Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

	2020
	\$'000
Expenses relating to:	
Short-term leases	-
Leases of low value	6
Total	6
Variable lease payments (not included in measurement of lease liabilities)	-

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

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

Payable:	
Within one year	1
Later than one year but not later than five years	5
Total lease commitments	6

i. Leases classified as operating leases under AASB 117 Leases

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

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

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

ii. Leases previously classified as finance leases

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

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

Impact on financial statements

On transition to AASB 16 Leases, Council recognised an additional \$5.8 million of right-of-use assets and \$5.8 million of lease liabilities, recognising the difference in retained earnings.

When measuring lease liabilities, Council discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 1.57%.

	2019
	\$'000
Operating lease commitment at 30 June 2019 as disclosed in Council's financial statements	8,562
Discounted using the incremental borrowing rate at 1 July 2019	(2,762)
Finance lease liability recognised as at 30 June 2019	5,800
- Recognition exemption for:	
short-term leases	-
leases of low-value assets	16
- Extension and termination options reasonably certain to be exercised	-
- Residual value guarantees	-
- Lease liabilities recognised as at 1 July 2019	16

MINUTES - MEETING OF COUNCIL 29 SEPTEMBER 2020

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6.1 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2019		Additions		Revaluation		Depreciation		Disposal		Reassessment of useful life		Write-off		Transfers		At Fair Value 30 June 2020	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property	54,578	1,262	568	(1,505)	(318)	-	-	-	-	-	-	-	-	-	-	-	-	55,231
Plant and equipment	9,702	1,985	-	(1,449)	(190)	-	-	-	-	-	-	-	-	-	-	-	-	10,198
Infrastructure	388,547	5,235	26,402	(10,133)	(2,800)	977	-	-	-	-	-	-	-	-	-	-	-	413,285
Work in progress	2,422	5,822	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,837
	455,249	14,303	26,970	(13,088)	(3,267)	977	-	-	-	-	-	-	-	-	-	-	-	480,491

Summary of Work in Progress

	Opening WIP \$'000	Additions \$'000	Write-off \$'000	Transfers \$'000	Closing WIP \$'000
Property	275	621	(134)	(514)	247
Plant and equipment	146	4	-	(150)	-
Infrastructure	2,001	5,196	(518)	(5,089)	1,589
Total	2,422	5,822	(652)	(5,754)	1,837

(a) Property

	Land - specialised		Land - non specialised		Heritage buildings		Buildings - specialised		Buildings - non specialised		Leasehold Buildings		Leasehold improvements - lease		Total Buildings		Work in Progress		Total Property		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
At fair value 1 July 2019	1,883	8,593	10,476	(4,514)	17,271	41,613	(10,835)	-	537	1,578	(38)	1,509	79	69	60,998	275	71,749	(16,896)	54,853		
Accumulated depreciation at 1 July 2019	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Movements in fair value																					
Additions	-	335	335	99	774	54	-	-	-	-	-	-	-	-	-	-	-	-	-	621	1,883
Revaluation	430	138	568	(111)	(149)	-	(113)	-	-	-	-	-	-	-	(283)	-	-	-	-	568	(314)
Disposal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(134)
Write-off	-	-	-	-	346	(3,937)	4,158	-	-	-	-	-	-	-	646	(514)	-	-	-	-	132
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	430	362	792	286	936	4,212	-	79	-	-	-	-	-	79	1,310	(27)	-	-	-	2,075	
Movements in accumulated depreciation																					
Depreciation and amortisation	-	-	-	(396)	(912)	(123)	-	(15)	(59)	-	-	-	-	-	(1,505)	-	-	-	-	-	(1,505)
Accumulated depreciation of disposals	-	-	-	27	28	-	-	-	-	-	-	-	-	-	55	-	-	-	-	-	55
Revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	(369)	(884)	(123)	(15)	(59)	-	-	-	-	-	-	(1,449)	-	-	-	-	-	(1,449)
At fair value 30 June 2020	2,313	8,955	11,268	17,566	38,336	4,212	(11,719)	(123)	537	1,578	(38)	1,509	79	69	62,309	247	73,824	(16,345)	55,479		
Accumulated depreciation at 30 June 2020	-	-	-	(4,883)	(11,719)	(123)	-	-	(33)	(1,589)	-	-	-	-	(18,345)	-	-	-	-	-	(18,345)
	2,313	8,955	11,268	12,683	26,618	4,090	4090	4090	485	89	89	89	89	89	43,964	247	55,479				

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(b) Plant and Equipment

	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Other	Work in Progress	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2019	15,808	738	1,904	111	146	18,706
Accumulated depreciation at 1 July 2019	(6,905)	(511)	(1,443)	-	-	(8,859)
	8,903	227	462	111	146	9,848
Movements in fair value						
Additions	1,858	-	127	-	4	1,988
Revaluation	-	-	-	-	-	-
Disposal	(522)	-	-	-	-	(522)
Write-off	-	-	-	-	-	-
Transfers	-	-	71	-	(150)	(79)
	1,336	-	198	-	(146)	1,388
Movements in accumulated depreciation						
Depreciation and amortisation	(1,200)	(58)	(161)	-	-	(1,449)
Accumulated depreciation of disposals	372	-	-	-	-	372
Revaluation	(859)	(39)	(161)	-	-	(1,077)
At fair value 30 June 2020	17,144	738	2,102	111	-	20,094
Accumulated depreciation at 30 June 2020	(7,753)	(569)	(1,604)	-	-	(9,926)
	9,391	169	498	111	-	10,198

Acquisition

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

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

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

	Depreciation Period	Threshold Limit
		\$'000
<i>Asset recognition thresholds and depreciation periods</i>		
Land & land improvements		
land	-	10
land improvements	25 years	10
Buildings		
buildings	100 years	10
building improvements	10 years	10
leasehold improvements	5-40 years	10
Plant and Equipment		
plant, machinery and equipment	10 years	10
fixtures, fittings and furniture	10 years	10
computers and telecommunications	3-5 years	10
motor vehicles	2-5 years	10
Infrastructure		
road pavements and seals	12-100 years	10
road formation and earthworks	100 years	10
road kerb, channel and minor culverts	80 years	10
bridges	80-100 years	10
footpaths and cycleways	8-50 years	10
drainage	100 years	10
recreational, leisure and community facilities	25 years	10
waste management	3-6 years	10
parks, open space and streetscapes	25 years	10

Land under roads

Council recognises land under roads it controls at fair value.

Depreciation and amortisation

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

Waste management remaining useful life was re-assessed during the year based on remaining space in constructed cells resulting in an adjustment to accumulated depreciation (refer note 5.5)

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

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

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

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

Repairs and maintenance

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

Leasehold improvements

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

Valuation of land and buildings

Valuation of buildings were undertaken by a qualified independent valuer Bruce Phillips (Assetty Pty Ltd) in June 2018. Non Specialised land was revalued this year using data from the Valuer General.

Specialised land is valued at fair value using a discounted average of land values across the shire. Specialised land was revalued this year using a discounted average of data from the Valuer General.

Any significant movements in the unobservable inputs for land and land under roads will have a significant impact on the fair value of these assets. The date of the current valuation is detailed in the following table.

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

	Level 1	Level2	Level 3	Date of Valuation
Land - specialised	-	-	2,313	Jun-20
Land - non specialised	-	8,955	-	Jan-20
Heritage buildings	-	-	12,683	Jun-18
Buildings - specialised	-	-	26,618	Jun-18
Buildings - non specialised	-	4,090	-	Jun-18
Leasehold Improvements	-	-	573	Jun-18
Total	-	13,045	42,187	

Valuation of infrastructure

Valuations of sealed road has been determined in accordance with a independent valuation from Infrastructure Management Group. Valuation of unsealed roads were completed internally with reference to the gravel road condition assessment manual.

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

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

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

	Level 1	Level2	Level 3	Date of Valuation
Roads	-	-	287,807	Jun-20
Bridges	-	-	53,235	Jun-17
Footpaths and cycleways	-	-	14,350	Jun-17
Drainage	-	-	19,603	Jun-14
Recreational, leisure and community facilities	-	-	1,498	Jun-14
Parks, open space and streetscapes	-	-	994	Jun-14
Kerb and Channel	-	-	26,145	Jun-18
Culverts and Retaining Walls	-	-	7,507	Jun-17
Waste management	-	-	2,074	N/A
Other infrastructure	-	-	53	Jun-20
Total	-	-	413,265	

Description of significant unobservable inputs into level 3 valuations

Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values of 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 \$7 and \$80 per square metre.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$2,250 to \$2,600 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 10 years to 50 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 10 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	2020 \$'000	2019 \$'000
Reconciliation of specialised land		
Land under roads	2,313	1,883
Total specialised land	2,313	1,883

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	2020	2019
	\$'000	\$'000
6.2 Investments in associates, joint arrangements and subsidiaries		
(a) Investments in associates		
Investments in associates accounted for by the equity method are:		
Corangamite Library Corporation	328	293
Corangamite Regional Library Corporation		
<i>Background</i>		
Council shares an interest in the Corangamite regional library corporation with the Colac Otway Shire, Moyne Shire and Warrnambool City Council. Council's share of the investment in the library is based on the census estimates of the Corangamite Shire's population as percentage of the total populations of the four Councils. The equity share is based on the audited accounts for the year ended 30 June 2020. Corangamite's share as at 30 June 2020 is 17.86% (2018-2019 18.06%)		
Fair value of Council's investment in Corangamite Regional Library Corporation	328	293
Council's share of accumulated surplus/(deficit)		
Council's share of accumulated surplus/(deficit) at start of year	282	198
Reported surplus/(deficit) for year	35	28
Transfers (to) from reserves	-	56
Council's share of accumulated surplus/(deficit) at end of year	317	282
Council's share of reserves		
Council's share of reserves at start of year	11	67
Transfers (to) from reserves	-	(56)
Council's share of reserves at end of year	11	11
Movement in carrying value of specific investment		
Carrying value of investment at start of year	293	265
Share of surplus/(deficit) for year	35	28
Carrying value of investment at end of year	328	293

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.

Committees of management

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

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	2020	2019
	No.	No.
Note 7 People and relationships		
7.1 Council and key management remuneration		
(a) Related Parties		
<i>Parent entity</i>		
Corangamite Shire Council is the parent entity.		
<i>Subsidiaries and Associates</i>		
Interests in subsidiaries and associates are detailed in Note 6.2.		
(b) Key Management Personnel		
Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:		
Councillors		
Mayor Neil Trotter		
Councillor Jo Beard		
Councillor Ruth Gstrein		
Councillor Lesley Brown		
Councillor Helen Durant		
Councillor Simon Illingworth		
Councillor Wayne Oakes (ceased in March 2020)		
Total Number of Councillors	7	8
Andrew Mason, Chief Executive Officer		
David Rae, Director Corporate and Community Services		
Brooke Love, Director Works and Services		
Ian Gibb, Director Sustainable Development (ceased in January 2020)		
Total of Chief Executive Officer and other Key Management Personnel	4	4
Total Number of Key Management Personnel	11	12
(c) Remuneration of Key Management Personnel	2020	2019
	\$	\$
Total remuneration of key management personnel was as follows:		
Short-term benefits	843	937
Long-term benefits	15	16
Post employment benefits	67	69
Total	925	1,022
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:		
	2020	2019
	No.	No.
\$10,000 - \$19,999	1	2
\$20,000 - \$29,999	5	4
\$40,000 - \$49,999	-	1
\$50,000 - \$59,999	-	1
\$60,000 - \$69,999	1	-
\$90,000 - \$99,999	1	-
\$160,000 - \$169,999	1	-
\$170,000 - \$179,999	-	2
\$180,000 - \$189,999	1	1
\$240,000 - \$249,999	-	1
\$250,000 - \$259,999	1	-
	11	12
(d) Senior Officer Remuneration		
A Senior Officer is an officer of Council, other than Key Management Personnel, who:		
a) has management responsibilities and reports directly to the Chief Executive; or		
b) whose total annual remuneration exceeds \$151,000		
Corangamite Shire Council has no Senior Officers meeting this definition (2019 - Nil)		

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	2020	2019
	\$'000	\$'000

7.2 Related party disclosure

(a) Transactions with related parties

During the period Council entered into the following transactions with related parties.

Councillor	Related Party	Nature of relationship
------------	---------------	------------------------

Nil

(b) Outstanding balances with related parties

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

Nil

(c) Loans to/from related parties

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

Nil

(d) Commitments to/from related parties

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

Nil

Note 8 Managing uncertainties

8.1 Contingent assets and liabilities

(a) Contingent assets

Nil

Operating lease receivables

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

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

	2020	2019
	\$'000	\$'000
Not later than one year	53	60
Later than one year and not later than five years	170	180
Later than five years	404	447
	627	687

(b) Contingent liabilities

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

Superannuation

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

Future superannuation contributions

In addition to the disclosed contributions, Corangamite Shire Council has paid unfunded liability payments to Vision Super totalling \$Nil (2018-2019 \$Nil) There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2020. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2021 are \$150,000

Landfill

Council operates a landfill at Naroghid. Council will have to carry out further site rehabilitation works in the future, however rehabilitates to current EPA requirements each cell as it is completed. A provision is made for ongoing site rehabilitation provision is maintained to current EPA requirements.

Legal matters

A claim has been lodged relating to an accident on a Corangamite Shire road in August 2017. The claim will be covered by insurance which has an excess of \$10,000

Liability Mutual Insurance

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

(c) Guarantees for loans to other entities

Guarantee - Camperdown Football Netball Club - Original Loan \$100,000

The amount outstanding as at 30 June 2020 is \$100,000 (2019 \$Nil)

Guarantee is in respect of a loan from the Bendigo Bank

Security Deposit Guarantee - National Australia Bank

This guarantee has been in place since 9 February 1996 for \$45,000

Contract Performance Guarantee - Department of Natural Resources and Environment

This guarantee has been in place since 24 March 1999 for \$42,500

Security Deposit Guarantee - Westpac Bank

This guarantee has been in place since 15 August 2007 for \$100,000

Contract Performance Guarantee - State of Victoria - Environment Protection Authority

This guarantee has been in place since 30 April 2008 for \$728,000. The guarantee is in respect of remedial action for the Corangamite Regional Landfill at Naroghid

Contract Performance Guarantee - Warrambool City Council

This guarantee has been in place since 2 April 2019 for \$25,000

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

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

8.2 Change in accounting standards

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

AASB 1059 Service Concession Arrangements: Grantors (AASB 1059) (applies 2020-2021 for LG Sector)

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

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

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

AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material (applies 2020-2021 for LG Sector)

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

AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework (applies 2020-2021 for LG Sector)

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

8.3 Financial instruments

(a) Objectives and policies

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

(b) Market risk

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

Interest rate risk

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

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

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

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

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

(c) Credit risk

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

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

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

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

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

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

(d) Liquidity risk

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

To help reduce these risks Council:

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

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

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

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade.

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

(e) Sensitivity disclosure analysis

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

- A parallel shift of +0.5% and -0.5% in market interest rates (AUD) from year-end rates of 1.0%.

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

8.4 Fair value measurement

Fair value hierarchy

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

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

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

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

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

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

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

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

Revaluation

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 2 to 5 years. The valuation is performed either by experienced council officers or independent experts.

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

Impairment of assets

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

8.5 Events occurring after balance date

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

8.6 Impact of COVID 19 pandemic on Corangamite Shire Council operations and 2019-20 financial report:

On 30 January 2020, COVID-19 was declared a global pandemic by the World Health Organisation. Since then, various measures have been taken by all three levels of Government in Australia to reduce the spread of COVID-19. This crisis and measures taken to mitigate it has had an impact on the operations of Corangamite Shire Council in the following areas for the financial year ended 30 June 2020:

- In response to significant government directive amidst the COVID-19 outbreak, some facilities were closed, including the Port Campbell Information Centre, Sports Stadiums and Killara Centre
- Corangamite Shire Council has offered rent relief under legislative requirements or where it has been negotiated with tenants.
- Council has an active hardship policy and this has been utilised in response to COVID19.
- Council adopted a COVID-19 Economic Stimulus and Support Package Policy which included:
 - Fee waivers - \$360,000
 - Employment - Council contribution of \$1.4million
 - Infrastructure stimulus - \$330,000
 - Small business funding programs - \$180,000
 - Marketing and promotion campaign - \$50,000
 - Welfare and Social support - \$100,000

Corangamite Shire Council
2019-2020 Financial Report

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

Note 9 Other matters

9.1 Reserves	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Share of increment (decrement) on revaluation of library books by Associate \$'000	Balance at end of reporting period \$'000
(a) Asset revaluation reserves				
2020				
Property				
Land and land improvements	5,561	568	-	6,129
Buildings	32,024	-	-	32,024
	37,586	568	-	38,153
Infrastructure				
Roads	146,853	26,402	-	173,255
Bridges	46,303	-	-	46,303
Footpaths and cycleways	14,788	-	-	14,788
Drainage	16,323	-	-	16,323
Kerb and channel	22,897	-	-	22,897
Recreational, leisure and community facilities	58	-	-	58
Parks, open space and streetscapes	26	-	-	26
Culverts and retaining walls	5,288	-	-	5,288
Furniture and equipment	141	-	-	141
Bus shelters	1	-	-	1
	252,678	26,402	-	279,080
Total asset revaluation reserves	290,264	26,970	-	317,233
2019				
Property				
Land and land improvements	6,046	(484)	-	5,561
Buildings	32,024	-	-	32,024
	38,070	(484)	-	37,586
Infrastructure				
Roads	146,853	-	-	146,853
Bridges	46,303	-	-	46,303
Footpaths and cycleways	14,788	-	-	14,788
Drainage	16,323	-	-	16,323
Kerb and channel	22,897	-	-	22,897
Recreational, leisure and community facilities	58	-	-	58
Parks, open space and streetscapes	26	-	-	26
Culverts and retaining walls	5,288	-	-	5,288
Furniture and equipment	141	-	-	141
Bus shelters	1	-	-	1
	252,678	-	-	252,678
Total asset revaluation reserves	290,748	(484)	-	290,264
The asset revaluation reserve is used to record the increased (net) value of Council's assets over time.				
(b) Other reserves				
2020				
Open space developer contributions	43	-	(18)	26
Land fill rehabilitation reserve	481	92	-	572
Superannuation reserve	1,278	20	-	1,298
Infrastructure reserve	6,065	400	(141)	6,324
Rural Councils Transformation Project reserve	-	4,432	-	4,432
Other reserves	313	126	(83)	356
Total Other reserves	8,180	5,070	(241)	13,008
2019				
Open space developer contributions	67	4	(28)	43
Land fill rehabilitation reserve	382	99	-	481
Superannuation reserve	1,248	30	-	1,278
Infrastructure reserve	-	6,065	-	6,065
Rural Councils Transformation Project reserve	-	-	-	-
Other reserves	323	64	(74)	313
Total Other reserves	2,020	6,262	(102)	8,180

Corangamite Shire Council
2019-2020 Financial Report

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

9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)	2020 \$'000	2019 \$'000
Surplus/(deficit) for the year	378	7,212
Depreciation	13,088	12,923
Amortisation	479	-
Bad and doubtful debts	13	-
Finance costs - leases	99	-
(Profit)/loss on disposal of property, infrastructure, plant and equipment	3,028	4,584
Reassessment of useful life of waste assets	(422)	-
Unrealised (gain)/loss on investments	41	-
Fair value adjustments	201	-
Prior year WIP written off	652	-
Contributions - non monetary	-	(1,267)
Assets recognised for the first time - land recognised as controlled	-	(639)
Derecognition of assets	-	917
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	1,227	(1,128)
(Increase)/decrease in other assets	322	(424)
Increase/(decrease) in trade and other payables	1,044	(1,150)
Increase/(decrease) in trust fund and deposits	19	(10)
(Increase)/decrease in inventories	18	13
Increase/(decrease) in unearned income	224	-
Increase/(decrease) in provisions	(44)	348
(Increase)/decrease in Library Corporation	(35)	(28)
(Increase)/decrease in Intangible asset	-	(28)
Net cash provided by/(used in) operating activities	20,331	21,323

9.3 Superannuation

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

Accumulation

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

Defined Benefit

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

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

Funding arrangements

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

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

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

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

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

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

Employer contributions**Regular contributions**

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

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

Funding calls

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

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

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

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

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

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

The 2019 interim actuarial investigation surplus amounts

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

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

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

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

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

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

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

The 2020 triennial actuarial investigation

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

The financial assumptions for the purposes of this investigation are:

	2020 Triennial investigation	2017 Triennial investigation
Net Investment Return	5.6% pa	6.5% pa
Salary Inflation	2.50 % pa for the first two years and 2.75% pa thereafter	3.5% pa
Price Inflation	2.0% pa	2.5% pa

10 Change in accounting policy

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

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

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

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

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

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

b) AASB 16 Leases

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

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

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

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

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

d) Transition impacts

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

	2019 \$'000
Retained earnings at 30 June 2019	185,223
Revenue adjustment - impact of AASB 15 <i>Revenue from Contracts with Customers</i>	(4,500)
Retained earnings at 1 July 2019	180,723

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

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

	As reported 30 June 2019 \$'000	Adjustments \$'000	Post adoption 1 July 2019 \$'000
Assets			
Right of use assets	-	5,800	5,800
	-	5,800	5,800
Liabilities			
Unearned income - operating grants	-	4,500	4,500
Lease liability - non-current	-	5,800	5,800
	-	10,300	10,300



**CORANGAMITE
SHIRE**

Corangamite Shire Council
Performance Statement
For the year ended 30 June 2020

Performance Statement

For the year ended 30 June 2020

Description of municipality

Corangamite Shire is located 180 kilometres south-west of Melbourne in the Great South Coast. The municipality is approximately 4,600 square kilometres and stretches from the Great Ocean Road in the south to the pastoral area of Skipton to the north.

The topography of the Shire is diverse, including flat plains in the north with large numbers of lakes of international significance and volcanic cones in the centre of the Shire. Highly productive agricultural land also characterises the north of the Shire with sheep and cattle grazing prevalent. The coastline along the southern border includes a section of the Great Ocean Road tourist route, attracting a large number of tourists annually. Numerous offshore rock formations, including the Twelve Apostles, are a major tourist attraction.

Geographically, Corangamite Shire comprises twelve townships that act as service centres for the surrounding areas, namely Camperdown, Terang, Timboon, Port Campbell, Cobden, Lismore, Derrinallum, Skipton, Princetown, Simpson, Noorat and Darlington. The townships of Camperdown, Terang and Cobden have the largest populations. The coastal townships of Princetown and Port Campbell predominantly service the tourism industry.

In 2020, the estimated resident population of Corangamite Shire was 16,020 with 3.6 people per square kilometre. The population remains relatively stable with a projected average annual growth rate of 0.2%.

PERFORMANCE STATEMENT
Sustainable Capacity Indicators

<i>Indicator/measure</i>	Results 2017	Results 2018	Results 2019	Results 2020	Material Variations and Comments
Population					
<i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$2,516.70	\$2,420.05	\$3,075.09	\$2,960.72	
<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$26,293.06	\$28,014.73	\$27,673.79	\$29,434.24	
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	6.82	6.79	6.82	6.76	
Own-source revenue					
<i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$1,675.39	\$1,787.27	\$1,863.97	\$1,872.82	
Recurrent grants					
<i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$951.65	\$763.83	\$786.06	\$807.41	
Disadvantage					
<i>Relative Socio-Economic Disadvantage</i> [Index of Relative Socio-Economic Disadvantage by decile]	5.00	5.00	4.00	4.00	
Workforce turnover					
<i>Percentage of staff turnover</i> [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	8.71%	11.16%	8.40%	6.65%	Council experienced less turnover when compared to the prior year, in particular retirements. Staff vacancies also contributed to a lower result.

Definitions

"adjusted underlying revenue" means total income other than:

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

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

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

"population" means the resident population estimated by council

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

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

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

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



Service Performance Indicators					
Service / Indicator / measure	Results 2017	Results 2018	Results 2019	Results 2020	Material Variations and Comments
Aquatic Facilities Utilisation					
<i>Utilisation of aquatic facilities</i>	3.15	2.90	2.86	2.14	There was a significant difference in the number of visitations to the pools in 2019-2020 in comparison to 2018-2019. Analysis shows that the weather played a large part in the change, coupled with the COVID pandemic.
[Number of visits to aquatic facilities / Municipal population]					
Animal Management Health and safety					
<i>Animal management prosecutions</i>	New in 2020	New in 2020	New in 2020	100%	
[Number of successful animal management prosecutions]					
Food Safety Health and safety					
<i>Critical and major non-compliance outcome notifications</i>	100.00%	95.45%	100.00%	100.00%	
[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					
Governance Satisfaction					
<i>Satisfaction with council decisions</i>	61.00	64.00	65.00	63.00	
[Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]					
Libraries Participation					
<i>Active library members</i>	13.39%	12.91%	12.47%	12.86%	
[Number of active library members / Municipal population] x100					



Maternal and Child Health (MCH)					
Participation <i>Participation in the MCH service</i> [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100	78.61%	84.78%	86.48%	89.11%	
Participation <i>Participation in the MCH service by Aboriginal children</i> [Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100	66.67%	88.24%	81.82%	100.00%	Due to low numbers a large variance was triggered by only a small increase in the number of ATSI children enrolled in the service.
Roads Satisfaction <i>Satisfaction with sealed local roads</i> [Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]	37.00	37.00	44.00	41.00	Follow up questions from the customer survey highlighted that dissatisfaction with sealed roads is mainly directed to the condition of arterial roads, which are the responsibility of Regional Roads Victoria.
Statutory Planning Decision making <i>Council planning decisions upheld at VCAT</i> [Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100	0.00%	0.00%	0.00%	100.00%	One VCAT appeal and Council decision upheld.
Waste Collection Waste diversion <i>Kerbside collection waste diverted from landfill</i> [Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100	63.94%	64.65%	63.11%	65.26%	

Definitions

- "Aboriginal child" means a child who is an Aboriginal person
- "Aboriginal person" has the same meaning as in the Aboriginal Heritage Act 2006
- "active library member" means a member of a library who has borrowed a book from the library
- "annual report" means an annual report prepared by a council under sections 131, 132 and 133 of the Act
- "CALD" means culturally and linguistically diverse and refers to persons born outside Australia in a country whose national language is not English
- "class 1 food premises" means food premises, within the meaning of the Food Act 1984, that have been declared as class 1 food premises under section 19C of that Act
- "class 2 food premises" means food premises, within the meaning of the Food Act 1984, that have been declared as class 2 food premises under section 19C of that Act
- "critical non-compliance outcome notification" means a notification received by council under section 19N(3) or (4) of the Food Act 1984, or advice given to council by an authorized officer under that Act, of a deficiency that poses an immediate serious threat to public health
- "food premises" has the same meaning as in the Food Act 1984
- "HACC program" means the Home and Community Care program established under the Agreement entered into for the purpose of the Home and Community Care Act 1985 of the Commonwealth
- "HACC service" means home help, personal care or community respite provided under the HACC program
- "local road" means a sealed or unsealed road for which the council is the responsible road authority under the Road Management Act 2004
- "major non-compliance outcome notification" means a notification received by a council under section 19N(3) or (4) of the Food Act 1984, or advice given to council by an authorized officer under that Act, of a deficiency that does not pose an immediate serious threat to public health but may do so if no remedial action is taken
- "MCH" means the Maternal and Child Health Service provided by a council to support the health and development of children within the municipality from birth until school age
- "population" means the resident population estimated by council
- "WorkSafe reportable aquatic facility safety incident" means an incident relating to a council aquatic facility that is required to be notified to the Victorian WorkCover Authority under Part 5 of the Occupational Health and Safety Act 2004.

Financial Performance Indicators							Material Variations and Comments	
Dimension/Indicator/Measure	Results 2017	Results 2018	Results 2019	Results 2020	2021	Forecasts 2022 2023 2024		
Efficiency								
Revenue level								
Average residential/rate per residential property assessment	New in 2020	New in 2020	New in 2020	\$2,063.41	\$2,096.04	\$2,120.00	\$2,165.27	\$2,213.98
[Residential rate revenue / Number of residential property assessments]								
Expenditure level								
Expenses per property assessment	\$4,175.44	\$3,995.59	\$5,082.12	\$4,843.83	\$4,716.63	\$4,314.47	\$4,416.56	\$4,537.52
[Total expenses / Number of property assessments]								
Liquidity								
Working capital								
Current assets compared to current liabilities	296.41 %	366.45%	602.57%	350.02%	388.79%	330.86%	307.52%	278.42%
[Current assets / Current liabilities] x100								
Unrestricted cash								
Unrestricted cash compared to current liabilities	253.49 %	316.35%	521.13%	236.02%	331.00%	273.00%	250.03%	221.26%
[Unrestricted cash / Current liabilities] x 100								
Obligations								
Asset renewal and upgrade								
Asset renewal and upgrade compared to depreciation	New in 2020	New in 2020	New in 2020	93.20%	115.46%	110.07%	96.61%	137.73%
[Asset renewal and upgrade expense / Asset depreciation] x100								
Loans and borrowings								
Loans and borrowings compared to rates	11.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
[Interest bearing loans and borrowings / Rate revenue] x100								
Loans and borrowings repayments compared to rates	5.51%	11.22%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
[Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100								
Indebtedness								
Non-current liabilities compared to own source revenue	21.06%	12.38%	12.49%	40.70%	13.50%	13.25%	13.04%	12.62%
[Non-current liabilities / Own source revenue] x100								
								The changes in accounting standards have resulted in a large increase to non-current liabilities. This change now requires Council to recognise future commitments for leases and grants.

Operating position								
Adjusted underlying result								
<i>Adjusted underlying surplus (or deficit)</i>								
[Adjusted underlying surplus (deficit) / Adjusted underlying revenue] x100	5.55%	8.43%	5.93%	-5.04%	-6.09%	3.52%	2.72%	2.96%
Stability								
Rates concentration								
<i>Rates compared to adjusted underlying revenue</i>								
[Rate revenue / Adjusted underlying revenue] x100	46.89%	48.80%	40.96%	49.09%	51.85%	52.96%	53.26%	52.87%
Rates effort								
<i>Rates compared to property values</i>								
[Rate revenue / Capital improved value of rateable properties in the municipality] x100	0.43%	0.43%	0.43%	0.42%	0.40%	0.42%	0.42%	0.43%
Definitions								
"adjusted underlying revenue" means total income other than:								
(a) non-recurrent grants used to fund capital expenditure; and								
(b) non-monetary asset contributions; and								
(c) contributions to fund capital expenditure from sources other than those referred to above								
"adjusted underlying surplus (or deficit)" means adjusted underlying revenue less total expenditure								
"asset renewal expenditure" means expenditure on an existing asset or on replacing an existing asset that returns the service capability of the asset to its original capability								
"current assets" has the same meaning as in the AAS								
"current liabilities" has the same meaning as in the AAS								
"non-current assets" means all assets other than current assets								
"non-current liabilities" means all liabilities other than current liabilities								
"non-recurrent grant" means a grant obtained on the condition that it be expended in a specified manner and is not expected to be received again during the period covered by a council's Strategic Resource Plan								
"own-source revenue" means adjusted underlying revenue other than revenue that is not under the control of council (including government grants)								
"population" means the resident population estimated by council								
"rate revenue" means revenue from general rates, municipal charges, service rates and service charges								
"recurrent grant" means a grant other than a non-recurrent grant								
"residential rates" means revenue from general rates, municipal charges, service rates and service charges levied on residential properties								
"restricted cash" means cash and cash equivalents, within the meaning of the AAS, that are not available for use other than for a purpose for which it is restricted, and includes cash to be used to fund capital works expenditure from the previous financial year								
"unrestricted cash" means all cash and cash equivalents other than restricted cash.								
The level of projects carried forward from previous years have negatively affected this measure. Similarly significant grant income also was received in the prior year. Council also lost some income and incurred additional costs as a result of COVID-19								
The 2018-2019 year was negatively affected by an increase in grants received in that year. All previous and future years remain relatively stable								

Other Information

For the year ended 30 June 2020

1. Basis of preparation

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

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

The performance statement presents the actual results for the current year and for the prescribed financial performance indicators and measures, the results forecast by the council's strategic resource plan. The Local Government (Planning and Reporting) Regulations 2014 requires explanation of any material variations in the results contained in the performance statement. Council has adopted 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 23 June 2020 and which forms part of the council plan. The strategic resource plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The strategic resource plan can be obtained by contacting council.

2. Impact of COVID-19

On 30 January 2020, COVID-19 was declared a global pandemic by the World Health Organisation. Since then, various measures have been taken by all three levels of Government in Australia to reduce the spread of COVID-19. This crisis and measures taken to mitigate it has had an impact on the operations of Corangamite Shire Council in the following areas for the financial year ended 30 June 2020:

- In response to significant government directive amidst the COVID-19 outbreak, some facilities were closed, including the Port Campbell Information Centre, Sports Stadiums and Killara Centre
 - Corangamite Shire Council has offered rent relief under legislative requirements or where it has been negotiated with tenants.
 - Council has an active hardship policy and this has been utilised in response to COVID-19.
 - Council adopted a COVID-19 Economic Stimulus and Support Package Policy which included:
 - Fee waivers - \$360,000
 - Employment - Council contribution of \$1.4million
 - Infrastructure stimulus - \$330,000
 - Small business funding programs - \$180,000
 - Marketing and promotion campaign - \$50,000
 - Welfare and Social support - \$100,000
-

Certification of the Performance Statement

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

Adam Taylor, CPA
Principal Accounting Officer
Dated:

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

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

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

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

Cr Lesley Brown
Councillor
Dated:

Cr Helen Durant
Councillor
Dated:

Andrew Mason
Chief Executive Officer
Dated:

Meeting Closed: 4.18 pm

I hereby certify that these minutes have been confirmed and are a true and correct record.

CONFIRMED:

(Chairperson)

DATE: