

**East Gippsland Shire Council
ANNUAL FINANCIAL REPORT**

For the Year Ended 30 June 2020

East Gippsland Shire Council

Financial Report

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Certification of the Financial Statements

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

Elizabeth Collins CPA

Principal Accounting Officer

Date : *XX September 2020*

Bairnsdale

In our opinion the accompanying financial statements present fairly the financial transactions of <Name> 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.

Councillor

Date : *XX September 2020*

Bairnsdale

Councillor

Date : *XX September 2020*

Bairnsdale

Anthony Basford

Chief Executive Officer

Date : *XX September 2020*

Bairnsdale

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Comprehensive Income Statement For the Year Ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Income			
Rates and charges	3.1	58,845	57,011
Statutory fees and fines	3.2	2,083	2,005
User fees	3.3	19,520	11,193
Grants - operating	3.4	28,143	17,760
Grants - capital	3.4	10,732	7,019
Contributions - monetary	3.5	90	165
Contributions - non monetary	3.5	1,593	1,423
Net gain on disposal of property, infrastructure, plant and equipment	3.6	59	34
Other income	3.7	4,098	4,679
Total income		125,163	101,289
Expenses			
Employee costs	4.1	30,253	29,497
Materials and services	4.2	44,432	34,585
Depreciation	4.3	20,788	20,246
Amortisation - intangible assets	4.4	602	546
Amortisation - right of use assets	4.5	73	-
Bad and doubtful debts	4.6	150	177
Borrowing costs	4.7	300	420
Landfill rehabilitation provision movement	5.5	1,395	881
Finance costs - leases	4.8	6	-
Other expenses	4.9	8,488	5,128
Total expenses		106,487	91,480
Surplus/(deficit) for the year		18,676	9,809
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	6.1	-	36,831
Total comprehensive result		18,676	46,640

Balance Sheet As at 30 June 2020

	Note	2020 \$'000	2019 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1	35,137	23,143
Trade and other receivables	5.1	12,234	8,781
Other financial assets	5.1	33,500	34,000
Other assets	5.2	7,361	1,176
Total current assets		88,232	67,100
Non-current assets			
Trade and other receivables	5.1	410	418
Property, infrastructure, plant and equipment	6.1	1,110,713	1,115,319
Right-of-use assets	5.8	869	-
Investment property	6.2	8,704	-
Intangible assets	5.2	2,756	658
Total non-current assets		1,123,452	1,116,395
Total assets		1,211,684	1,183,495
Liabilities			
Current liabilities			
Trade and other payables	5.3	9,995	6,800
Trust funds and deposits	5.3	2,799	1,567
Unearned Income	5.3	2,952	209
Provisions	5.5	9,811	9,922
Interest-bearing liabilities	5.4	-	727
Lease liabilities	5.8	72	-
Total current liabilities		25,629	19,225
Non-current liabilities			
Unearned Income	5.3	527	712
Provisions	5.5	12,157	8,183
Interest-bearing liabilities	5.4	3,350	3,350
Lease liabilities	5.8	809	-
Total non-current liabilities		16,843	12,245
Total liabilities		42,472	31,470
Net assets		1,169,212	1,152,025
Equity			
Accumulated surplus		398,827	381,721
Reserves	9.1	770,385	770,304
Total Equity		1,169,212	1,152,025

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

	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2020					
Balance at beginning of the financial year		1,152,025	381,721	769,323	981
Impact of change in accounting policy - AASB 15 Revenue from Contracts with Customers	10	(148)	(148)	-	-
Impact of change in accounting policy - AASB 1058 Income of Not-for-Profit Entities	10	(1,341)	(1,341)	-	-
Adjusted Opening balance		1,150,536	380,232	769,323	981
Surplus/(deficit) for the year		18,676	18,676	-	-
Transfers to other reserves	9.1	-	(81)	-	81
		18,676	18,595	-	81
Balance at end of the financial year		1,169,212	398,827	769,323	1,062

		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2019					
Balance at beginning of the financial year		1,105,385	371,935	732,492	958
Surplus/(deficit) for the year		9,809	9,809	-	-
Net asset revaluation increment/(decrement)	6.1	36,831	-	36,831	-
Transfers to other reserves	9.1	-	(23)	-	23
Balance at end of the financial year		1,152,025	381,721	769,323	981

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		57,802	57,205
Statutory fees and fines		2,038	1,843
User fees		14,233	11,664
Grants - operating		28,010	17,775
Grants - capital		9,391	7,019
Contributions - monetary		90	165
Interest received		1,172	1,250
Trust funds and deposits taken		9,905	7,767
Other receipts		3,219	3,751
Net GST refund/payment		3,363	1,955
Employee costs		(30,761)	(28,415)
Materials and services		(45,137)	(39,278)
Trust funds and deposits repaid		(8,673)	(7,850)
Other payments		(2,965)	(1,414)
Net cash provided by/(used in) operating activities	9.2	41,687	33,437
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(29,568)	(28,497)
Proceeds from sale of property, infrastructure, plant and equipment		412	967
Payments for investments		(33,500)	(7,750)
Proceeds from sale of investments		34,000	-
Net cash provided by/(used in) investing activities		(28,656)	(35,280)
Cash flows from financing activities			
Finance costs		(304)	(421)
Repayment of borrowings		(727)	(1,852)
Interest paid - lease liability		(6)	-
Net cash provided by/(used in) financing activities		(1,037)	(2,273)
Net increase (decrease) in cash and cash equivalents		11,994	(4,116)
Cash and cash equivalents at the beginning of the financial year		23,143	27,259
Cash and cash equivalents at the end of the financial year		35,137	23,143
Financing arrangements	5.6		
Restrictions on cash assets	5.1		

Statement of Capital Works For the Year Ended 30 June 2020

	2020 \$'000	2019 \$'000
Property		
Land	243	254
Total land	<u>243</u>	<u>254</u>
Buildings	2,738	4,745
Heritage buildings	13	-
Total buildings	<u>2,751</u>	<u>4,745</u>
Total property	<u>2,994</u>	<u>4,999</u>
Plant and equipment		
Plant, machinery and equipment	1,963	2,406
Fixtures, fittings and furniture	520	891
Computers and telecommunications	361	279
Library books	214	228
Total plant and equipment	<u>3,058</u>	<u>3,804</u>
Infrastructure		
Roads	10,666	8,531
Bridges	5,939	5,577
Footpaths and cycleways	1,788	1,329
Drainage	2,295	741
Recreational, leisure and community facilities	476	1,185
Waste management	372	1,314
Parks, open space and streetscapes	844	1,062
Aerodromes	-	75
Off street car parks	262	139
Other infrastructure	2,133	1,351
Total infrastructure	<u>24,775</u>	<u>21,304</u>
Total capital works expenditure	<u>30,827</u>	<u>30,107</u>
Represented by:		
New asset expenditure	1,626	2,584
Asset renewal expenditure	22,479	22,778
Asset expansion expenditure	916	-
Asset upgrade expenditure	5,806	4,745
Total capital works expenditure	<u>30,827</u>	<u>30,107</u>

OVERVIEW

Introduction

The East Gippsland Shire Council was established by an Order of the Governor in Council on 2 December 1994 and is a body corporate.

The Council's main office is located at 273 Main Street Bairnsdale Victoria 3875.

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 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.

Note 1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 10% percent or \$500,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figure below were adopted by Council on 25/06/2019. The budget was based on assumptions that were relevant at the time of adoption of the Budget. Councils sets guidelines and parameters for income and expense targets in the budget in order to meet Council's planning and financial performance targets for both the short and long-term.

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	58,629	58,845	216	0%	
Statutory fees and fines	1,921	2,083	162	8%	
User fees	11,685	19,520	7,835	67%	1
Grants - operating	9,321	28,143	18,822	202%	2
Grants - capital	9,844	10,732	888	9%	3
Contributions - monetary	233	90	(143)	(61%)	
Contributions - non monetary	2,000	1,593	(407)	(20%)	4
Net gain on disposal of property, infrastructure, plant and equipment	-	59	59		
Other income	2,294	4,098	1,804	79%	5
Total income	95,927	125,163	29,236		
Expenses					
Employee costs	29,753	30,253	(500)	(2%)	6
Materials and services	36,987	44,432	(7,445)	(20%)	7
Depreciation	20,338	20,788	(450)	(2%)	8
Amortisation - Intangible assets	115	602	(487)	(423%)	9
Amortisation - Right of use assets	-	73	(73)		
Bad and doubtful debts	43	150	(107)	(249%)	10
Borrowing costs	304	300	4	1%	
Landfill rehabilitation provision movement	-	1,395	(1,395)		11
Finance costs - Leases	-	6	-	0%	
Other expenses	1,386	8,488	(7,102)	(512%)	12
Total expenses	88,926	106,487	(17,555)		
Surplus/(deficit) for the year	7,001	18,676	11,681		

Refer to Note 11 for the impact on Council's operations for the 2019/20 financial year as a result of the 2019/20 bushfires and the COVID-19 pandemic.

Note 1 Performance against budget (cont'd)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	User Fees and fines - \$7.835M greater than budget	<p>The most significant variance was the increase in waste tipping fees over the budget as a result of the 2019/20 bushfire waste cleanup. The increase over budget for waste fees was \$9.9M. Both Slip Bight and Metung marinas had additional berth fees and exceeded budget by \$228K. There were a number of Council facilities that had service reductions or were closed as a result of the 2020/21 bushfires and COVID-19. The reduction in fees from budget for these facilities is shown below:</p> <ul style="list-style-type: none"> - Bairnsdale Aquatic and Recreation Centre - \$176K - Livestock Exchange - \$257K - Lakes Aquadome - \$262K - Mallacoota Holiday Park - \$1.267M - Eagle Point Caravan Park - \$141K - Forge Theatre - \$240K - Visitor Information Centres - \$128K
2	Grants - Operating - \$18.822M greater than budget	<p>The Victoria Grants Commission advance payment of part of the 2020/21 grant in 2019/20 accounted for \$8M of the additional grant income. Council also received a number of unbudgeted grants to support the community during the drought in East Gippsland. There were also significant new grants received to provide support to the community following the 2019/20 bushfires. These grants are detailed below:</p> <p>Bushfire Grants</p> <ul style="list-style-type: none"> - Immediate Assistance grant \$1.416K - Resourcing grant \$4.0M - Council Assistance Fund grant \$3.62M <p>Drought support Grants</p> <ul style="list-style-type: none"> - Drought - Tourism grant - \$160K - Communities Priorities \$500K - Local Government Service Support Payment \$1.51M
3	Grants - Capital - \$888K greater than budget	<p>Additional Roads to Recovery funding of \$2.576M was received during the year and allocated to a number of road and bridge projects. There was a reduction in other Commonwealth grant funding of \$1.011M mainly as a result of the timing of the works that will not be completed until 2020/21. These relate to roads and other infrastructure projects. State government grants were also less than budget by \$973K also as a result of the timing of works for various projects including roads that will receive Fixing Country Roads funding. It is expected that this funding will now be received in 2020/21 when the associated works have been completed.</p>
4	Contributions - non monetary - \$407K less than budget	<p>Only \$1.593M of contributed assets were received during the year against a budget of \$2M. Developer contributed assets vary from year to year depending on subdivision activity.</p>
5	Other Income - \$1.804M greater than budget	<p>Reimbursements totalling \$1.115M were received for bushfire related expenditure. These reimbursements were not included in the adopted budget. Investment interest also exceeded budget by \$188K as a result of having additional funds to invest during the year. Workcover reimbursements also exceed budget by \$123K. There was a significant insurance reimbursement for storm damage at the Metung marina of \$189K that was not included in the budget. Leasing income was less than budget by \$123K as a result of rental relief for lessees during the last quarter of the year during the COVID-19 pandemic.</p>
6	Employee costs - \$500K greater than budget	<p>Additional employee costs of \$613K related to the 2019/20 bushfires. Council will be reimbursed for these costs. Workcover wage costs exceeded budget by \$198K but was partly reimbursed in the 2019/20 year with the balance of the reimbursement expected in the 2020/21 year. Leave provisions were greater than budget by \$462K. Annual leave taken was less than budget by \$450K as a result of a number of vacant permanent positions and leave being deferred during the bushfires and COVID-19 pandemic. The workcover premium was less than budget by \$92K.</p>

Note 1 Performance against budget (cont'd)

(i) Explanation of material variations (cont'd)

Variance Ref	Item	Explanation
7	Materials and Services \$7.445M greater than budget	Additional expenditure for various grant funded projects for drought assistance and bushfire support for the community accounted for \$2.78M of the variance. The materials and services used for repair and restoration works following the bushfires was an unbudgeted amount of \$4.138M. It is expected that these costs will be reimbursed to Council in 2020/21. Materials and services associated with the operation of the Orbost landfill site for bushfire waste that had not been included in the adopted budget was \$1.232M. The waste EPA levy cost was \$415K less than budget as a result of less tonnage of waste going into landfills (excludes fire waste).
8	Depreciation - \$450K greater than budget	Depreciation expenses were \$450K greater than the budget. This was partly as a result of the revaluation of buildings in the 2018/19 year and the increase depreciation as a result of increased values. There was also an increase cost for depreciation for the Bairnsdale Aquatic and Recreation Centre as a result of the capitalised cost of the redevelopment of the facility. Depreciation for landfills was also greater than budget as a result of the earlier than expected opening of the new landfill cell in Bairnsdale.
9	Amortisation - Intangible Assets - \$487K greater than budget	The new landfill cell in Bairnsdale was opened earlier than was planned at the time of adopting the budget. This increased the cost for the amortisation of the landfill airspace asset.
10	Bad and Doubtful Debts - \$107K greater than budget	Additional provision for the expected non recovery of unpaid fines accounts for the majority of the variance for bad and doubtful debts.
11	Landfill rehabilitation provision movement - \$1.395M greater than budget	The estimated cost for landfill rehabilitation works for licenced landfills has increased to take into account the estimated cost for the rehabilitation of the Orbost landfill which was temporarily reopened to accept bushfire waste. This was an increase of \$1.2M in the provision required. There was also an increase in the present value calculation and other adjustments offsetting this for provision amounts no longer required as a result of rehabilitation works being completed.
12	Other expenses - \$7.102M greater than budget	There was \$7.188M of buildings, roads, bridges and other assets written off as a result of the bushfire events. These write off's were not included in the draft budget. There were a number of other expenses that expended less than the budget including legal costs \$38K and memberships and subscriptions \$53K.

1.2 Capital works

	Budget 2020 \$'000	Actual 2020 \$'000	Variance \$'000	Variance %	Ref
Property					
Land	100	243	143	143%	
Land improvements	-	-	-	0%	
Total land	100	243	143		
Buildings	3,093	2,738	(355)	(11%)	1
Heritage buildings	388	13	(375)	(97%)	2
Total buildings	3,481	2,751	(730)		
Total property	3,581	2,994	(587)		
Plant and equipment					
Plant, machinery and equipment	4,040	1,963	(2,077)	(51%)	3
Fixtures, fittings and furniture	30	520	490	1633%	4
Computers and telecommunications	2,863	361	(2,502)	(87%)	5
Library books	339	214	(125)	(37%)	6
Total plant and equipment	7,272	3,058	(4,214)		
Infrastructure					
Roads	13,857	10,666	(3,191)	(23%)	7
Bridges	3,708	5,939	2,231	60%	8
Footpaths and cycleways	2,370	1,788	(582)	(25%)	9
Drainage	2,190	2,295	105	5%	
Recreational, leisure and community facilities	2,155	476	(1,679)	(78%)	10
Waste management	3,162	372	(2,790)	(88%)	11
Parks, open space and streetscapes	2,964	844	(2,120)	(72%)	12
Off street car parks	-	262	262	0%	13
Other infrastructure	4,367	2,133	(2,234)	(51%)	14
Total infrastructure	34,773	24,775	(9,998)		
Total capital works expenditure	45,626	30,827	(14,799)		
Represented by:					
New asset expenditure	4,143	1,626	(2,517)	(61%)	
Asset renewal expenditure	35,918	22,479	(13,439)	(37%)	
Asset expansion expenditure	4,715	916	(3,799)	(81%)	
Asset upgrade expenditure	850	5,806	4,956	583%	
Total capital works expenditure	45,626	30,827	(14,799)		

Note 1 Performance against budget (cont'd)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Buildings - \$355K less than budget	Mallacoota Pavillion Stage 2 project was underspent by \$290K as a result of the timing of works for this multi year project. Building renewal had a budget of \$950K, but capital expenditure of only \$88K as a result of significant expenditure being transferred to operating as building maintenance expenses. \$675K of expenditure was reclassified from recreation projects to reflect the building component of the project.
2	Heritage buildings - \$375K less than budget	The Omeo Justice Precinct project is a multi year project and the unspent funds of \$375K will be expended in 2020/21 to complete the project.
3	Plant, machinery and equipment - \$2.077M less than budget	The Raymond Island Ferry Renewal Project had a budget of \$1.1M, but the expenditure has been classified as operating and not capital. The plant and vehicle renewal programs were underspent by \$700K as a result of the difficulty in purchasing some large plant items during the COVID-19 pandemic. These plant item will now be purchased in 2020/21.
4	Fixtures, fittings and furniture - \$490K greater than budget	There were a number of projects that included fixtures and fittings and the costs were transferred from various projects in other classifications to the correct classification of fixtures, fittings and furniture.
5	Computers and telecommunications - \$2.502M less than budget	The timing of the Information Technology transformation program has seen some projects move into 2020/21 year and this accounts for the budget variance. The significant projects relate to the information technology upgrades and replacement of legacy systems.
6	Library Books - \$125K less than budget	The planned upgrade of the library systems has been delayed.
7	Roads - \$3.191M less than budget	There was \$3.2M of road construction works incomplete at the end of the financial year as a result of delays in being able to undertake the work or the timing of works as they were multi year projects. The most significant of these are the Pearson Street Bairnsdale upgrade \$850K, the Fernbank Glenaladale Road \$473K and McMillan Street Bairnsdale \$505K.
8	Bridges - \$2.231M greater than budget	There were five bridges that were destroyed in the 2019/20 bushfires that were replaced at a cost of \$1.073M that were not included in the budget. These bridge replacements will be funded from natural disaster funding reimbursements that are expected to be received in 2020/21. As a result of additional new grant funding for bridges there was \$2.181M of additional bridge replacement works undertaken during the year that were not included in the budget.
9	Footpaths and cycleways - \$582K less than budget	The Omeo Mountain Bike Trails project is running behind schedule and was underspent by \$613K.
10	Recreational, leisure and community facilities - \$1.679M less than budget	The Lucknow Recreation Reserve upgrade was \$766K less than budget as a result of the timing of the works. Davison Oval Skatepark project was also underspent by \$117K as the project will now be completed in 2020/21. The Bairnsdale Aquatic and Recreation Centre change room and fire services works were reclassified as buildings and this accounted for \$675K of the budget variance.
11	Waste management - \$2.790M less than budget	The Lakes Entrance transfer station works have been delayed and will not occur until the 2020/21 year and this accounted for \$1.468M of the variance. The design of Cell 4 will not be undertaken until the 2020/21 year and this accounted for a further \$225K of the variance. The Metung, Swifts Creek and Marlo transfer station projects were all delayed and will now be completed in 2020/21. This accounted for a further \$792K of the variance. Several other smaller waste projects were also delayed and will be completed in 2020/21 and accounted for \$200K of the variance.
12	Parks, open space and streetscapes - \$2.120M less than budget	The variance relates primarily to the reclassification of various streetscape project works of \$1.433M with a total budget of \$2.058M, where the expenditure has been allocated to roads, footpaths and fixtures.
13	Off street car parks - \$262K greater than budget	A number of parks and open space projects had a carpark component that has been allocated off street car parks whilst the budget for the whole project was included in parks, open space and streetscapes. This accounts for the variance.
14	Other Infrastructure - \$2.234M less than budget	Lakes Entrance seawall reconstruction had a budget of \$1.350M but the expenditure of \$704K has been classified as parks and open space. There were a number of projects that were incomplete at year end and will be completed in 2020/21. These include Jemmy's Point (\$198K), Livestock Exchange sheep pens (\$77K), Bairnsdale Cenotaph (223K), Storage Units (118K) and the Port of Bairnsdale Timber Jetty renewal (\$130K).

Note 2 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

2 (a) Office of the CEO

Activities associated with municipal governance including the Chief Executive Officer.

Business Excellence

Activities associated with financial management, rate collection, risk management, valuations, information services and human resources, procurement, the cost of Councillors, corporate planning, customer service, communications, governance administration and property services.

Place and Community

Activities associated with building control, environmental health and community laws, immunisations, strategic and statutory planning, economic development and tourism, commercial business operations, emergency management, family and childrens services, aged services, community planning and development, libraries, Forege Theatre and recreational facilities.

Assets and Environment

Activities associated with roads, bridges, drainage, signs, footpaths and street sweeping, parks and reserves, tree management, playgrounds, public toilets, waste and environmental management, asset management, capital works program, fleet and plant management.

Bushfire Recovery

Activities associated with providing support and assistance to the community in recovering from the 2019/20 bushfires.

Unattributed

Where expenditure was not able to be identified as a specific activity cost, such as loan interest associated with a Private Street Scheme, it has been included in this category. The income that is shown in unattributable is the surplus over the costs shown for each category of activity with the net result equal to the surplus for the year.

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

	Income	Expenses	Grants Surplus/(included in Deficit) income	Total assets
	\$'000	\$'000	\$'000	\$'000
2020				
Council Executive	699	699	-	-
Business Excellence	14,050	14,050	-	7,803
Place and Community	24,036	24,036	-	56,736
Assets and Environment	63,701	63,701	-	1,147,145
Bushfire Recovery	4,019	1,009	3,010	-
Unattributed	18,658	2,992	15,666	-
	125,163	106,487	18,676	1,211,684
	Income	Expenses	Grants Surplus/(included in Deficit) income	Total assets
	\$'000	\$'000	\$'000	\$'000
2019				
Council Executive	2,025	2,025	-	152
Governance	10,087	10,087	-	7,939
Development	15,130	15,130	-	55,426
Operations	51,970	51,970	-	1,118,355
Community Strategy	10,930	10,930	-	1,623
Unattributed	11,113	1,304	9,809	-
	101,255	91,446	9,809	1,183,495

There was an organisation restructure from 1 July 2019 and as a result the program areas have changed from the 2019 information, The 2020 results are therefore not comparable to the 2019 results by program.

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

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

Council uses capital improved value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is the value of the land and all of its improvements.

The valuation base used to calculate general rates for 2019/20 was \$8,133 million (2018/19 \$7,633 million). Commercial/Industrial rates was \$995 million (2018/19 \$964 million) and Farm rates was \$1,412 million (2018/19 \$1,285 million). The 2019/20 rate in the CIV dollar for General rates was 0.00403615 (2018/19 0.00391157), Commercial/Industrial rates was 0.00577169 (2018/19 0.00567178) and Farm rates was 0.00332982 (2018/19 0.00352041).

General rates	43,272	39,846
Municipal charge	7,042	8,821
Waste management charge	7,779	7,486
Supplementary rates and rate adjustments	451	363
Interest on rates and charges	131	327
Revenue in lieu of rates	170	168
Total rates and charges	58,845	57,011

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

Infringements and costs	130	227
Application Registration Fees	369	305
Animal Registrations	434	444
Town planning fees	753	619
Land information certificates	96	100
Permits	69	62
Other	232	248
Total statutory fees and fines	2,083	2,005

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

3.3 User fees

Aged and health services	28	24
Leisure centre and recreation	2,015	2,142
Raymond Island Ferry	181	232
Arts and Culture	140	444
Caravan Parks	1,125	2,645
Saleyards	895	929
Marinas	1,090	979
Child care/children's programs	197	240
Tourism	96	144
Building services	78	79
Waste management services	13,444	3,190
Other fees and charges	231	145
Total user fees	19,520	11,193

User fees by timing of revenue recognition

User fees recognised over time	2,224	2,260
User fees recognised at a point in time	17,296	8,933
Total user fees	19,520	11,193

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.

Refer to Note 11 for the impact on user fees as a result of the 2019/20 bushfires and the COVID-19 pandemic.

3.4 Funding from other levels of government

Grants were received in respect of the following :

Summary of grants

Commonwealth funded grants	25,176	19,872
State funded grants	13,343	4,817
Other	356	90
Total grants received	38,875	24,779

(a) Operating Grants

Recurrent - Commonwealth Government

Financial Assistance Grants	15,895	15,152
Aged Services	43	43

Recurrent - State Government

Arts and Culture	100	100
Asset Maintenance	89	149
Community Development	215	280
Community Laws	99	85
Emergency Management	165	164
Environmental Management	97	76
Libraries	352	344
Parks and Gardens	2	2
Public Health	39	38

Recurrent - Other

Environmental Sustainability	18	17
Recreational, Leisure and Community Facilities	-	15

Total recurrent operating grants	17,114	16,465
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Notes to the Financial Report
For the Year Ended 30 June 2020

3.4 Funding from other levels of government (cont'd)

	2020 \$'000	2019 \$'000
Non-recurrent - Commonwealth Government		
Community Development	91	366
Bushfire Recovery	1,117	-
Economic Development	160	-
Non-recurrent - State Government		
Community Development	35	489
Economic Development	527	37
Drought assistance	1,350	-
Bushfire Recovery	7,671	-
Emergency Management	-	15
Environmental Sustainability	8	77
Recreational, Leisure and Community Facilities	28	264
Waste	-	11
Non-recurrent - Other		
Environmental Management	6	8
Community Development	2	-
Libraries	7	1
Recreational, Leisure and Community Facilities	27	27
Total non-recurrent operating grants	11,029	1,295
Total operating grants	28,143	17,760
(b) Capital Grants		
Recurrent - Commonwealth Government		
Roads to recovery	5,195	2,912
Recurrent - State Government		
Recreational, Leisure and Community Facilities	9	9
Total recurrent capital grants	5,204	2,921
Non-recurrent - Commonwealth Government		
Buildings	813	-
Bridges	350	581
Footpath and Cycleways	494	-
Other Infrastructure	483	500
Recreational, Leisure and Community Facilities	300	-
Roads	235	318
Non-recurrent - State Government		
Buildings	333	240
Other Infrastructure	194	34
Parks, Open Space and Streetscapes	405	177
Recreational, Leisure and Community Facilities	73	730
Roads	1,321	1,373
Footpath and Cycleways	231	-
Waste	-	123
Non-recurrent - Other		
Other Infrastructure	24	22
Plant and Equipment	22	-
Drainage	250	-
Total non-recurrent capital grants	5,528	4,098
Total capital grants	10,732	7,019

(c) Unspent grants received on condition that they be spent in a specific manner

Operating		
Balance at start of year	1,626	945
Received during the financial year and remained unspent at balance date	8,797	1,223
Received in prior years and spent during the financial year	(1,098)	(542)
Balance at year end	9,325	1,626
Capital		
Balance at start of year	2,212	2,085
Received during the financial year and remained unspent at balance date	1,620	1,942
Received in prior years and spent during the financial year	(2,162)	(1,815)
Balance at year end	1,670	2,212

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	2020 \$'000	2019 \$'000
Monetary	90	165
Non-monetary	1,593	1,423
Total contributions	1,683	1,588

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

Land	-	140
Plant and Equipment	153	-
Roads	1,013	846
Footpaths	265	125
Drainage	162	312
Total non-monetary contributions	1,593	1,423

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

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

Proceeds of sale	412	967
Written down value of assets disposed	(353)	(933)
Net gain/(loss) on assets sold	59	34

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

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

3.7 Other income	2020	2019
	\$'000	\$'000
Interest	969	1,426
Investment property rental	803	957
Reimbursements - Other	1,017	1,718
Reimbursements - Natural Disasters	1,115	426
Other	194	152
Total other income	4,098	4,679

Interest is recognised as it is earned.

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

Refer to Note 11 for the impact on other income as a result of the COVID-19 pandemic.

Note 4 The cost of delivering services

4.1 (a) Employee costs

Wages and salaries	23,408	23,316
WorkCover	1,191	841
Casual staff	3,071	2,713
Superannuation	2,482	2,506
Fringe benefits tax	101	121
Total employee costs	30,253	29,497

(b) Superannuation	2020	2019
	\$'000	\$'000

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	27	125
	27	125

Employer contributions payable at reporting date.

Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	1,351	1,374
Employer contributions - other funds	1,104	1,007
	2,455	2,381

Employer contributions payable at reporting date.

	114	173
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Refer to note 9.3 for further information relating to Council's superannuation obligations.

4.2 Materials and services

Contractor payments

- Bridge Maintenance	292	575
- Road maintenance	8,402	6,904
- Road and Bridge design	135	606
- Vegetation management	950	738
- Ferry maintenance	122	355
- Aerodrome Operations and maintenance	40	-
- Building maintenance	24	-
- Ferry service	517	522
- Security services	-	67
- Waste collection	3,827	3,421
- Waste Management	946	516
- Animal pound services	225	215
- Courier services	87	87
- Cleaning	919	956
- Streetscapes	-	229
- Other	192	169
Total Contractors	16,678	15,360

Building maintenance	36	1,135
General maintenance	9,990	9,824
Utilities	2,077	2,117
Office administration	6,628	437
Information technology	1,967	1,780
Insurance	926	901
Consultants	1,565	1,389
Contributions	4,565	1,642
Total materials and services	44,432	34,585

4.3 Depreciation

Property	3,417	2,996
Plant and equipment	3,153	3,050
Infrastructure	14,218	14,200
Total depreciation	20,788	20,246

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

4.4 Amortisation - Intangible assets

Software	156	546
Landfill Airspace	446	-
Total Amortisation - Intangible assets	602	546

4.5 Amortisation - Right of use assets

Property	70	-
Plant and Equipment	3	-
Total Amortisation - Right of use assets	73	-

4.6 Bad and doubtful debts	2020	2019
Parking fine debtors	32	29
Animal fine debtors	97	87
Rates debtors	24	13
Other debtors	(3)	48
Total bad and doubtful debts	150	177
Movement in provisions for doubtful debts		
Balance at the beginning of the year	844	699
New provisions recognised during the year	150	174
Amounts already provided for and written off as uncollectible	(2)	(29)
Amounts provided for but recovered during the year	(4)	-
Balance at end of year	988	844
Provision for doubtful debt is recognised based on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment.		
4.7 Borrowing costs		
Interest - Borrowings	300	420
Total borrowing costs	300	420
Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council.		
4.8 Finance Costs - Leases		
Interest - Lease Liabilities	6	-
Total finance costs	6	-
4.9 Other expenses		
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	45	39
Auditors' remuneration - Internal	36	42
Councillors' allowances	387	302
Operating lease rentals	117	146
Memberships/Subscriptions	166	215
Bank fees and charges	183	206
Legal fees	354	329
Assets written-off -Buildings	476	188
Assets written-off -Bridges	3,934	1,778
Assets written-off -Roads	1,519	1,414
Assets written-off -Open Space	801	96
Assets written-off -Others	458	367
Others	12	6
Total other expenses	8,488	5,128
Note 5 Our financial position	2020	2019
5.1 Financial assets	\$'000	\$'000
(a) Cash and cash equivalents		
Cash on hand	13	13
Cash at bank	120	95
Term deposits	35,004	23,035
Total cash and cash equivalents	35,137	23,143
(b) Other financial assets		
Term deposits - current	33,500	34,000
Total other financial assets	33,500	34,000
Total financial assets	68,637	57,143
Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:		
- Trust funds and deposits (Note 5.3(b))	2,799	1,567
- Unexpended grants (Note 3.4(c))	10,995	3,838
- Non-Discretionary Reserves (Note 9.1(b))	1,062	981
Total restricted funds	14,856	6,386
Total unrestricted cash and cash equivalents	20,281	16,757
Intended allocations		
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:		
- Cash held to fund carried forward capital works	11,219	13,437
- Cash held to fund carried forward landfill rehabilitation projects	2,128	4,943
- Tambo Bluff Estate	401	465
- Water transport replacement reserve	2,000	1,700
- Orbest Landfill Reserve Bushfire 2019/20	7,662	-
Total funds subject to intended allocations	23,410	20,545

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.

Note 5 Our financial position (cont'd)

5.1 Financial assets (cont'd)

(c) Trade and other receivables

2020
\$'000

2019
\$'000

Current

Statutory receivables

Rates debtors	4,406	3,363
Special rate assessment	862	1,056
Infringement debtors	768	695
Provision for doubtful debts - statutory debtors	(909)	(761)
GST Receivable	894	941

Non statutory receivables

Other debtors	6,292	3,570
Provision for doubtful debts - other debtors	(79)	(83)

Total current trade and other receivables

12,234

8,781

Non-current

Statutory receivables

Special rate scheme	410	418
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Total non-current trade and other receivables

410

418

Total trade and other receivables

12,644

9,199

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.

Refer to Note 11 for the impact on rate debtor receivables as a result of the COVID-19 pandemic.

(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)	6,013	2,811
Past due by up to 30 days	118	129
Past due between 31 and 180 days	43	508
Past due between 181 and 365 days	37	12
Past due by more than 1 year	2	27
Total trade and other receivables	6,213	3,487

(e) Ageing of individually impaired Receivables

At balance date, other debtors representing financial assets with a nominal value of \$79,000 (2019: \$83,000) were impaired. The amount of the provision raised against these debtors was \$79,000 (2019: \$83,000). They individually have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

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

Past due by more than 1 year	79	83
Total trade and other receivables	79	83

5.2 Non-financial assets	2020	2019		
(a) Other assets	\$'000	\$'000		
Prepayments	828	684		
Accrued income	6,412	492		
Other	121	-		
Total other assets	7,361	1,176		
(b) Intangible assets				
Software	502	658		
Landfill air space	2,254	-		
Total intangible assets	2,756	658		
	Software	Landfill	Other	Total
	\$'000	\$'000	\$'000	\$'000
Gross carrying amount				
Balance at 1 July 2019	1,936	2,154	-	4,090
Additions from internal developments	-	2,700	-	2,700
Balance at 1 July 2020	1,936	4,854	-	6,790
Accumulated amortisation and impairment				
Balance at 1 July 2019	1,278	2,154	-	3,432
Amortisation expense	156	446	-	602
Balance at 1 July 2020	1,434	2,600	-	4,034
Net book value at 30 June 2019	658	-	-	658
Net book value at 30 June 2020	502	2,254	-	2,756
Intangible assets with finite lives are amortised as an expense on a systematic basis over the asset's useful life. Amortisation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and amortisation method are reviewed at least annually, and adjustments made where appropriate.				
5.3 Payables	2020	2019		
(a) Trade and other payables	\$'000	\$'000		
Trade payables	8,213	4,822		
Accrued expenses	1,782	1,978		
Total trade and other payables	9,995	6,800		
(b) Trust funds and deposits				
Refundable deposits	2,028	993		
Fire services levy	336	224		
Retention amounts	433	344		
Other refundable deposits	2	6		
Total trust funds and deposits	2,799	1,567		
(c) Unearned income -Current				
Grants received in advance - operating	781	-		
Grants received in advance - capital	1,573	-		
Caravan Park	383	-		
Prepaid Marina Income	215	209		
Total unearned income	2,952	209		
(c) Unearned income - Non Current				
Prepaid Marina Income	527	712		
	527	712		

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

Purpose and nature of items

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

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

5.4 Interest-bearing liabilities	2020 \$'000	2019 \$'000
Current		
Borrowings - secured	-	727
	<u>-</u>	<u>727</u>
Non-current		
Borrowings - secured	3,350	3,350
	<u>3,350</u>	<u>3,350</u>
Total	<u>3,350</u>	<u>4,077</u>

Borrowings are secured by mortgages over the general rates of Council.

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

Not later than one year	-	727
Later than one year and not later than five years	1,700	1,700
Later than five years	1,650	1,650
	<u>3,350</u>	<u>4,077</u>

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

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

5.5 Provisions

	Employee \$ '000	Landfill restoration \$ '000	Native Vegetation \$ '000	Total \$ '000
2020				
Balance at beginning of the financial year	6,122	11,763	220	18,105.00
Additional provisions	925	3,380	10	4,315
Amounts used	(497)	(818)	(19)	(1,334)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	167	715	-	882
Balance at the end of the financial year	<u>6,717</u>	<u>15,040</u>	<u>211</u>	<u>21,968</u>
2019				
Balance at beginning of the financial year	5,475	12,414	238	18,127
Additional provisions	672	(7)	16	681
Amounts used	(438)	(1,532)	(34)	(2,004)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	413	888	-	1,301
Balance at the end of the financial year	<u>6,122</u>	<u>11,763</u>	<u>220</u>	<u>18,105</u>

5.5 Provisions (cont'd)	2020	2019
(a) Employee provisions	\$'000	\$'000
Current provisions expected to be wholly settled within 12 months		
Annual leave	2,105	1,888
Long service leave	365	341
	<u>2,470</u>	<u>2,229</u>
Current provisions expected to be wholly settled after 12 months		
Annual leave	240	179
Long service leave	3,282	3,071
	<u>3,522</u>	<u>3,250</u>
Total current employee provisions	5,992	5,479
Non-current		
Long service leave	725	643
Total non-current employee provisions	725	643
Aggregate carrying amount of employee provisions:		
Current	5,992	5,479
Non-current	725	643
Total aggregate carrying amount of employee provisions	6,717	6,122

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	0.57%	1.15%
- inflation rate	2.00%	2.00%
- settlement period	12 years	12 years

	2020	2019
(b) Landfill restoration provisions	\$'000	\$'000
Current	3,819	4,443
Non-current	11,221	7,320
	<u>15,040</u>	<u>11,763</u>

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

Key assumptions:

- discount rate	0.81%	1.30%
- inflation rate	2.00%	2.00%
- settlement period	30 years	30 years

(c) Native Vegetation Offset provision

Current	-	-
Non-current	211	220
	<u>211</u>	<u>220</u>
Total Current	9,811	9,922
Total Non-current	12,157	8,183
Total Provisions	21,968	18,105

5.6 Financing arrangements

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

Bank overdraft	1,500	1,500
Credit card facilities	300	300
Borrowings	3,350	4,077
Total facilities	5,150	5,877
Used facilities	3,371	4,143
Unused facilities	1,779	1,734
Total facilities	5,150	5,877

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.

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2020					
Operating					
Cleaning	1,067	129	-	-	1,196
Ferry Operations/Maintenance	542	504	41	-	1,087
Road Infrastructure Maintenance	3,220	590	1,769	49	5,628
Waste Management	3,317	3,183	8,147	-	14,647
Other Service Contracts	873	523	980	-	2,376
Total	9,019	4,929	10,937	49	24,934
Capital					
Buildings	131	-	-	-	131
Roads	2,221	-	-	-	2,221
Bridges	2,337	-	-	-	2,337
Drainage	2,751	-	-	-	2,751
Other	2,739	-	-	-	2,739
Total	10,179	-	-	-	10,179
2019					
Operating					
Cleaning	942	615	44	-	1,601
Ferry Operations/Maintenance	483	483	485	-	1,451
Road Infrastructure Maintenance	2,528	-	-	-	2,528
Waste Management	3,046	2,896	8,322	1,858	16,122
Other Service Contracts	396	247	127	-	770
Total	7,395	4,241	8,978	1,858	22,472
Capital					
Buildings	27	-	-	-	27
Roads	2,607	-	-	-	2,607
Waste	939	-	-	-	939
Other	1,180	-	-	-	1,180
Total	4,753	-	-	-	4,753

5.8 Leases

Policy applicable before 1 July 2019

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

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

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

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

5.8 Leases (cont'd)

Policy applicable after 1 July 2019

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

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

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

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

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

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

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

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

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

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

- Fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement 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.

Right-of-Use Assets	Property \$'000	Equipment \$'000	Total \$'000
Balance at 1 July 2019	914	-	914
Additions	-	28	28
Amortisation charge	(70)	(3)	(73)
Balance at 30 June 2020	844	25	869

Lease Liabilities	2020 \$'000
Maturity analysis - contractual undiscounted cash flows	
Less than one year	79
One to five years	294
More than five years	717
Total undiscounted lease liabilities as at 30 June:	1,090

Lease liabilities included in the Balance Sheet at 30 June:

Current	72
Non-current	809
Total lease liabilities	881

Short-term and low value leases

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

Expenses relating to:	2020 \$'000
Short-term leases	65
Leases of low value assets	16
Total	81

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	103
Later than one year but not later than five years	15
Total lease commitments	118

5.8 Leases (cont'd)

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 \$914k of right-of-use assets and \$914k of lease liabilities, recognising the difference in retained earnings.

When measuring lease liabilities, Council discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 2.22%.

	2019
	\$'000
Operating lease commitment at 30 June 2019 as disclosed in Council's financial statements	924
Discounted using the incremental borrowing rate at 1 July 2019	904
- Recognition exemption for:	
short-term leases	(178)
leases of low-value assets	(157)
- Other Lease adjustments	325
- Lease liabilities recognised as at 1 July 2019	<u>914</u>

6.1 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2019 \$'000	Additions \$'000	Contributions \$'000	Depreciation \$'000	Disposal \$'000	Write-off \$'000	Transfers \$'000	At Fair Value 30 June 2020 \$'000
Property	254,702	2,472	-	(3,417)	(629)	-	(8,698)	244,430
Plant and equipment	14,682	3,297	153	(3,153)	(353)	-	-	14,626
Infrastructure	838,833	18,838	1,440	(14,218)	(6,453)	-	-	838,440
Work in progress	7,102	30,834	-	-	-	(106)	(24,615)	13,215
	1,115,319	55,441	1,593	(20,788)	(7,435)	(106)	(33,313)	1,110,711

Summary of Work in Progress

	Opening WIP \$'000	Additions \$'000	Write-off \$'000	Transfers \$'000	Closing WIP \$'000
Property	857	3,000	(17)	(2,478)	1,362
Plant and equipment	146	3,058	(8)	(3,100)	96
Infrastructure	6,099	24,776	(81)	(19,037)	11,757
Total	7,102	30,834	(106)	(24,615)	13,215

(a) Property

	Land - specialised \$'000	Land - non specialised \$'000	Total Land & Land Improvements \$'000	Heritage buildings \$'000	Buildings - specialised \$'000	Total Buildings \$'000	Work In Progress \$'000	Total Property \$'000
At fair value 1 July 2019	127,665	3,118	130,783	17,082	176,232	193,314	857	324,954
Accumulated depreciation at 1 July 2019	-	-	-	(8,296)	(61,099)	(69,395)	-	(69,395)
	127,665	3,118	130,783	8,786	115,133	123,919	857	255,559
Movements in fair value								
Additions	177	52	229	13	2,230	2,243	3,000	5,472
Contributions	-	-	-	-	-	-	-	-
Disposal	(151)	(2)	(153)	-	(803)	(803)	-	(956)
Write-off	-	-	-	-	-	-	(17)	(17)
Transfers	(2,766)	-	(2,766)	-	(9,978)	(9,978)	(2,478)	(15,222)
	(2,740)	50	(2,690)	13	(8,551)	(8,538)	505	(10,723)
Movements in accumulated depreciation								
Depreciation and amortisation	-	-	-	(251)	(3,166)	(3,417)	-	(3,417)
Accumulated depreciation of disposals	-	-	-	-	327	327	-	327
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	4,046	4,046	-	4,046
	-	-	-	(251)	1,207	956	-	956
At fair value 30 June 2020	124,925	3,168	128,093	17,095	167,681	184,776	1,362	314,231
Accumulated depreciation at 30 June 2020	-	-	-	(8,547)	(59,892)	(68,439)	-	(68,439)
	124,925	3,168	128,093	8,548	107,789	116,337	1,362	245,792

(b) Plant and Equipment

	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Library books	Work In Progress	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2019	20,435	8,908	4,511	4,680	146	38,680
Accumulated depreciation at 1 July 2019	(11,118)	(5,685)	(3,501)	(3,548)	-	(23,852)
	9,317	3,223	1,010	1,132	146	14,828
Movements in fair value						
Additions	1,927	795	361	214	3,058	6,355
Contributions	153	-	-	-	-	153
Disposal	(1,130)	(10)	-	-	-	(1,140)
Write-off	-	-	-	-	(8)	(8)
Transfers	-	-	-	-	(3,100)	(3,100)
Impairment losses recognised in operating result	-	-	-	-	-	-
	950	785	361	214	(50)	2,260
Movements in accumulated depreciation						
Depreciation and amortisation	(1,811)	(648)	(399)	(295)	-	(3,153)
Accumulated depreciation of disposals	779	8	-	-	-	787
Impairment losses recognised in operating result	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
	(1,032)	(640)	(399)	(295)	-	(2,366)
At fair value 30 June 2020	21,385	9,693	4,872	4,894	96	40,940
Accumulated depreciation at 30 June 2020	(12,150)	(6,325)	(3,900)	(3,843)	-	(26,218)
	9,235	3,368	972	1,051	96	14,722

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For the Year Ended 30 June 2020

(c) Infrastructure

	Roads	Bridges	Footpaths and cycleways	Drainage	Recreational, leisure and community	Waste Management	Parks open spaces and streetscapes	Aerodromes	Off street car parks	Other Infrastructure	Work In Progress	Total Infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2019	655,143	99,613	27,524	76,264	31,258	7,641	31,485	7,629	10,370	20,056	6,099	973,082
Accumulated depreciation at 1 July 2019	(73,238)	(8,552)	(4,418)	(17,443)	(11,026)	(3,243)	(3,887)	(196)	(1,203)	(4,944)	-	(128,150)
	581,905	91,061	23,106	58,821	20,232	4,398	27,598	7,433	9,167	15,112	6,099	844,932
Movements in fair value												
Additions	8,151	3,888	1,526	1,277	271	2,105	23	-	422	1,175	24,776	43,614
Contributions	1,013	-	265	162	-	-	-	-	-	-	-	1,440
Disposal	(2,336)	(5,420)	-	-	(228)	-	(887)	-	(31)	-	-	(8,902)
Write-off	-	-	-	-	-	-	-	-	-	-	(81)	(81)
Transfers	-	-	-	-	-	-	-	-	-	-	(19,037)	(19,037)
	6,828	(1,532)	1,791	1,439	43	2,105	(864)	-	391	1,175	5,658	17,034
Movements in accumulated depreciation												
Depreciation and amortisation	(9,370)	(1,168)	(471)	(745)	(648)	(385)	(446)	(90)	(212)	(683)	-	(14,218)
Accumulated depreciation of disposals	817	1,486	-	-	55	-	86	-	5	-	-	2,449
Transfers	-	-	-	-	-	-	-	-	-	-	-	-
	(8,553)	318	(471)	(745)	(593)	(385)	(360)	(90)	(207)	(683)	-	(11,769)
At fair value 30 June 2020	661,971	98,081	29,315	77,703	31,301	9,746	30,621	7,629	10,761	21,231	11,757	990,116
Accumulated depreciation at 30 June 2020	(81,791)	(8,234)	(4,889)	(18,188)	(11,619)	(3,628)	(4,247)	(286)	(1,410)	(5,627)	-	(139,919)
	580,180	89,847	24,426	59,515	19,682	6,118	26,374	7,343	9,351	15,604	11,757	850,197

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

Acquisition

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

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

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

	Depreciation Period	Threshold Limit \$'000
Asset recognition thresholds and depreciation periods		
Land & land improvements		
land	-	-
Buildings		
buildings	15-80 years	5
building and leasehold improvements	15-80 years	5
Plant and Equipment		
ferry equipment	40 years	1
plant, machinery and equipment	5-10 years	1
fixtures, fittings and furniture	10-20 years	1
computers and telecommunications	5-10 years	1
library books	5-10 years	1
Infrastructure		
road pavements and seals	18-80 years	5
road wearing course	15-60 years	5
road formation and earthworks	-	5
road kerb, channel and minor culverts	70 - 80 years	5
bridges	60-100 years	5
footpaths and cycleways	15-65 years	5
drainage	100 years	5
recreational, leisure and community facilities	15-60 years	5
aerodromes	15-80 years	5
waste management landfill cells	3 years	5
waste management infrastructure	60 years	5
parks, open space and streetscapes	20-40 years	5
Intangible assets	3-10 years	1

Land under roads

Council recognises land under roads it controls at fair value after 30 June 2008.

Depreciation and amortisation

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

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

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

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

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

Repairs and maintenance

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

Leasehold improvements

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date there were no leasehold improvements.

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

Valuation of land and buildings

Valuation of land and buildings were undertaken in 2018/19 by a qualified independent valuer Todd Svanberg, Certified Practising Valuer CPV AAPI AM ASA, Director of JLL Public Sector Valuations Pty Ltd and Emily Villani RPV PMAPI, Valuer JLL Public Sector Valuations Pty Ltd. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

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

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

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

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

	Level 1	Level2	Level 3	Date of Valuation
Land	-	-	124,925	30/06/2019
Specialised land	-	3,168	-	30/06/2019
Heritage Buildings	-	-	8,548	30/06/2019
Buildings	-	-	107,789	30/06/2019
Total	-	3,168	241,262	

Valuation of infrastructure

Valuation of all infrastructure assets was undertaken by Council's engineering and asset management staff as at 31 December 2017.

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	-	-	580,180	31/12/2017
Bridges	-	-	89,847	31/12/2017
Footpaths and cycleways	-	-	24,426	31/12/2017
Drainage	-	-	59,515	31/12/2017
Recreational, leisure and community facilities	-	-	19,682	31/12/2017
Waste management	-	-	6,118	31/12/2017
Parks, open space and streetscapes	-	-	26,374	31/12/2017
Aerodromes	-	-	7,343	31/12/2017
Off street car parks	-	-	9,351	31/12/2017
Other infrastructure	-	-	15,604	31/12/2017
Total	-	-	838,440.00	

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

Description of significant unobservable inputs into level 3 valuations

Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 0% and 90%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$0.02 and \$720 per square metre.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs are calculated on a square metre basis and ranges from \$257 to \$8,442 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 30 years to 80 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 15 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	2020	2019
Reconciliation of specialised land	\$'000	\$'000
Land under roads	2,038	2,009
Parks and reserves	66,105	66,100
Recreation and Leisure	28,733	29,031
Residential Land	361	361
Commercial Land	480	480
Aerodrome Land	2,413	2,413
Community Services Land	4,739	4,896
Business Centre/Library Land	3,929	3,929
Caravan Park Land	2,377	4,824
Carpark Land	3,693	3,693
Depot Land	230	230
Quarry Reserve Land	155	155
Drainage Reserve Land	5,471	5,471
Saleyard and Pound Facility Land	731	731
Waste Management Land	3,209	3,209
Road Reserves	261	133
Total specialised land	124,925	127,665

	2020 \$'000	2019 \$'000
6.2 Investment property		
Transfers	8,698	-
Additions	6	-
Balance at end of financial year	8,704	-

Investment property is held to generate long-term rental yields. Investment property is measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to the Council. Subsequent to initial recognition at cost, investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the comprehensive income statement in the period that they arise.

Valuation of investment property

Valuation of investment property has been determined in accordance with an independent valuation by Todd Svanberg, Certified Practising Valuer CPV AAPI AM ASA, Director of JLL Public Sector Valuations Pty Ltd and Emily Villani RPV PMAPI, Valuer JLL Public Sector Valuations Pty Ltd, who has recent experience in the location and category of the property being valued. The valuation is at fair value, based on the current market value for the property.

	2020 No.	2019 No.
Note 7 People and relationships		
7.1 Council and key management remuneration		
(a) Related Parties		
<i>Parent entity</i>		
East Gippsland Shire is the parent entity.		
(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		
Councillor John White (Mayor - 29/10/19 - 30/06/20)		
Councillor Natalie O'Connell (Mayor - 01/07/19 - 28/10/19)		
Councillor Ben Buckley		
Councillor Richard Ellis		
Councillor Mark Reeves		
Councillor Joe Rettino		
Councillor Marianne Pelz		
Councillor Colin Toohey		
Councillor Jackson Roberts		
Management		
Chief Executive Officer		
General Manager Assets and Environment		
General Manager Business Excellence (9/9/19 to 30/6/20)		
General Manager Place and Community (16/9/19 to 27/01/20) and General Manager Bushfire Recovery (28/01/20 to 30/06/20)		
Acting General Manager Business Excellence (1/7/19 to 12/7/19)		
Acting General Manager Business Excellence (5/8/19 to 6/9/19)		
General Manager Place and Community (28/01/20 to 30/06/20)		
Acting General Manager Place and Community (1/7/19 to 13/09/19)		
Total Number of Councillors	9	9
Total of Chief Executive Officer and other Key Management Personnel	8	8
Total Number of Key Management Personnel	17	17
(c) Remuneration of Key Management Personnel	2020	2019
	\$	\$
Total remuneration of key management personnel was as follows:		
Short-term benefits	1,366	1,514
Long-term benefits	109	192
Post employment benefits	29	29
Termination benefits	-	60
Total	1,504	1,795
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:	2020	2019
	No.	No.
\$20,000 - \$29,999	-	7
\$30,000 - \$39,999	7	1
\$40,000 - \$49,999	-	1
\$50,000 - \$59,999	1	-
\$60,000 - \$69,999	-	1
\$80,000 - \$89,999	2	-
\$130,000 - \$139,999	-	1
\$150,000 - \$159,999	1	1
\$160,000 - \$169,999	1	1
\$170,000 - \$179,999	1	-
\$180,000 - \$189,999	1	1
\$200,000 - \$209,999	1	-
\$210,000 - \$219,999	1	-
\$220,000 - \$229,999	-	1
\$260,000 - \$269,999	-	1
\$310,000 - \$319,999	1	-
\$340,000 - \$349,999	-	1
	17	17

Note 7 People and relationships (cont'd)

7.1 Council and key management remuneration (cont'd)

(d) Senior Officer Remuneration

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

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

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

Income Range:	2020 No.	2019 No.
\$140,000 - \$149,999	-	1
\$170,000 - \$179,999	-	1
\$180,000 - \$189,999	1	-
	<u>1</u>	<u>2</u>

Total Remuneration for the reporting year for Senior Officers included above, amounted to: **\$182,294** **\$320,023**

7.2 Related party disclosure

(a) Transactions with related parties

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

For the year ended 30 June 2020, Council paid \$117,031 to suppliers and contractors related to Key Management Personnel on normal commercial terms and conditions. Details of these related party transactions for Key Management Personnel are as follows:

Cr Pelz	Pelz Haulage Pty Ltd - \$14,806 for works and services Snowy River Lodge - \$1,390 for accommodation and meals Orbost Country Motor Inn - \$4,217 for accommodation and meals
Cr Rettino	East Gippsland Rail Trail Committee - \$22,557 for Community Development
Cr White	Melwood Investments Pty Ltd - \$71,916 for contracted slashing services
Cr O'Connell	Alps Links Regional Communities - \$330 for tickets for business sports luncheon
General Manager Assets and Environment	The Right Man - \$1,815 for consultancy services

(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

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	721	684
Later than one year and not later than five years	1,950	1,953
Later than five years	2,092	2,301
	<u>4,763</u>	<u>4,938</u>

(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

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 \$26,857.

Landfill

Council operates a number of landfills. Council will have to carry out site rehabilitation works in the future. Council has provided the Environment Protection Authority with a bank guarantee in their favour of \$1.3 million to meet the remedial action financial assurance requirements for licenced landfill sites.

Liability Mutual Insurance

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

MAV Workcare

Council is a participant of the MAV WorkCare Scheme. The MAV WorkCare scheme provides workers compensation insurance. The MAV WorkCare Scheme states that each participant will remain liable to make further contributions to the scheme in respect of any insurance year in which it was a participant to the extent of its participant's share of any shortfall in the provision set aside in respect of that insurance year, and such liability will continue whether or not the participant remains a participant in future insurance years.

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 2020/21 for the local government 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 material impact on the transactions and balances recognised in the financial statements.

AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material (applies 2020/21 for the local government sector)

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

AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework (applies 2020/21 for the local government 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.

8.3 Financial instruments (cont'd)

(d) Liquidity risk

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

To help reduce these risks Council:

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

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

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

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

(e) Sensitivity disclosure analysis

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

- A parallel shift of +1% and -1% in market interest rates (AUD) from year-end rates of 1.3%.

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 two to five 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

Since 30 June 2020, there has been COVID-19 related impacts on Council operations in the 2020/21 year as a result of facility closures, and support packages for the community. The estimated impact on the 2020/21 financial year is as follows:

- Estimated reduction in caravan park revenue from fees and charges of \$308K.
- Estimated reduction in leisure facilities revenue from user charges of \$212K.
- Estimated reduction in user fees (net of some cost reduction) for the Forge Theatre of \$40k.
- Estimated reduction in user fees for Visitor Information Centres of \$60K.
- Estimated reduction in user fees for the East Gippsland Livestock Exchange of \$321K.

Note 9 Other matters

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Share of increment (decrement) on revaluation of <name asset class> by an associate \$'000	Balance at end of reporting period \$'000
9.1 Reserves				
(a) Asset revaluation reserves				
2020				
Property				
Land and land improvements	91,334	-	-	91,334
Buildings	84,209	-	-	84,209
	175,543	-	-	175,543
Infrastructure				
Roads	438,692	-	-	438,692
Bridges	64,857	-	-	64,857
Footpaths and cycleways	14,489	-	-	14,489
Drainage	37,015	-	-	37,015
Recreational, leisure and community facilit	11,715	-	-	11,715
Waste management	2,461	-	-	2,461
Parks, open space and streetscapes	7,991	-	-	7,991
Aerodromes	111	-	-	111
Offstreet car parks	846	-	-	846
Other infrastructure	15,603	-	-	15,603
	593,780	-	-	593,780
Total asset revaluation reserves	769,323	-	-	769,323
2019				
Property				
Land and land improvements	84,059	7,275	-	91,334
Buildings	54,653	29,556	-	84,209
	138,712	36,831	-	175,543
Infrastructure				
Roads	438,692	-	-	438,692
Bridges	64,857	-	-	64,857
Footpaths and cycleways	14,489	-	-	14,489
Drainage	37,015	-	-	37,015
Recreational, leisure and community facilit	11,715	-	-	11,715
Waste management	2,461	-	-	2,461
Parks, open space and streetscapes	7,991	-	-	7,991
Aerodromes	111	-	-	111
Offstreet car parks	846	-	-	846
Other infrastructure	15,603	-	-	15,603
	593,780	-	-	593,780
Total asset revaluation reserves	732,492	36,831	-	769,323

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

	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
(b) Other reserves				
2020				
Car Parking	193	-	-	193
Development Contribution Plans	19	-	-	19
Lakes Entrance Northern Growth Area	-	1	-	1
Recreational Land	735	80	-	815
Road Upgrading	34	-	-	34
Total Other reserves	981	81	-	1,062
2019				
Car Parking	193	-	-	193
Development Contribution Plans	19	-	-	19
Recreational Land	712	23	-	735
Road Upgrading	34	-	-	34
Total Other reserves	958	23	-	981

The Recreation Land Reserve receives developer contributions for future development of public open space.

Development Contribution Plans receive contribution from developers upon the sale of land in a prescribed planning area.

The Car Parking Reserve receives developer funds for future development of public car parks.

The Road Upgrading Reserve receives contributions from developers for the future upgrade of specific roads as required by development plans.

Lakes Entrance Northern Growth Area receive contributions in accordance with the development plan.

	2020 \$'000	2019 \$'000
9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus/(deficit) for the year	18,676	9,809
Depreciation/amortisation	21,463	20,792
Profit/(loss) on disposal of property, infrastructure, plant and equipment	(59)	3,809
Write off property, plant and equipment	7,188	-
Contributions - Non-monetary assets	(1,593)	(1,423)
Financing cost in financing activities	310	421
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(3,453)	(323)
(Increase)/decrease in prepayments	-	(122)
Increase/(decrease) in other current assets	(6,177)	2
Increase/(decrease) in trade and other payables	1,868	792
(Decrease)/increase in other liabilities	1,069	(214)
Increase/(decrease) in provisions	1,163	(23)
Increase/(Decrease) in trust funds	1,232	(83)
Net cash provided by/(used in) operating activities	41,687	33,437

9.3 Superannuation

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

Accumulation

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

Defined Benefit

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

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

Funding arrangements

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

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

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

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

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

Employer contributions

Regular contributions

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

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

9.3 Superannuation (cont'd)

Funding calls

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

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

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

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

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

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

The 2019 interim actuarial investigation surplus amounts

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

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

	2019	2017
	\$m	\$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	2017
	Triennial investigation	Triennial investigation
Net investment return	5.6% pa	6.5% pa
Salary inflation	2.50 % pa for the first two years and 2.75% pa thereafter	3.5% pa
Price inflation	2.0% pa	2.5% pa

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

Scheme	Type of Scheme	Rate	2020 \$,000	2019 \$,000
Vision super	Defined benefit	9.50%	27	125
Vision super	Accumulation fund	9.50%	1,351	1,374
Various other funds	Accumulation fund	9.50%	1,104	1,007

There were contributions outstanding of \$113,702 as at 30 June 2020 and no loans issued from or to the above schemes as at 30 June 2020.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2021 is \$26,857.

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	381,721
Revenue adjustment - impact of AASB 15 <i>Revenue from Contracts with Customers</i>	(148)
Income Adjustment - impact of AASB 1058 <i>Income of Not-for-Profit Entities</i>	(1,341)
Retained earnings at 1 July 2019	380,232

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 \$'000
Assets			
Right of use assets	-	914	914
Grants receivable	-	627	627
	-	1,541	1,541
Liabilities			
Unearned income - operating grants	-	(308)	(308)
Unearned income - capital grants	-	(1,808)	(1,808)
Lease liability - current	-	(57)	(57)
Lease liability - non-current	-	(857)	(857)
	-	(3,030)	(3,030)

11 Impact of the 2019/20 Bushfires and COVID-19 Pandemic on Council's operations and the 2019/20 financial report

a) The bushfire events in East Gippsland during the 2019/20 summer period

Many areas of the East Gippsland Shire were devastated by bushfires in December 2019 and January 2020. As a result of the bushfires the Mallacoota Foreshore Holiday Park was closed for a period of time during what would have been the peak booking period. The Eagle Point Caravan Park was also impacted as a result of visitors being restricted during the bushfire event. The estimated loss of revenue from fees and charges for the 2019/20 financial year as a result of the bushfire event on these two facilities is as follows:

- Mallacoota Foreshore Holiday Park	\$983K	51% loss of revenue
- Eagle Point Caravan Park	\$50K	8% loss of

b) COVID-19 Pandemic impact on Council operations

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 impacted Council operations in the following areas for the financial year ended 30 June 2020:

- In response to government directives amidst the COVID-19 outbreak Council's leisure centres were closed. This closure resulted in a decrease in user fees revenue of \$438K.
- In response to government directives amidst the COVID-19 outbreak Council's caravan parks were closed. This closure resulted in a decrease in user fees revenue of \$375K.
- Council paused all commercial rent agreements from 01/04/2020 to 30 June 2020. This resulted in a decrease in rent revenue of \$123K.
- The East Gippsland Livestock Exchange fee revenue reduced as a result of COVID-19 restrictions by \$257K.
- Visitor Information Centre user fee revenue reduced by \$128K as a result of the closure of facilities during the COVID-19 restrictions.
- Forge Theatre was closed as a result of the COVID-19 restrictions and this resulted in a loss of revenue of \$218K.
- The financial impact of providing an interest free period for rates resulted in a loss of revenue of \$130K. This has also resulted in the rate debtor balance as at 30 June 2020 to increase by \$1.043 million compared to last year.

East Gippsland Shire Council

Performance Statement

For the year ended 30 June 2020

Description of municipality

East Gippsland is a major geographic and economic region in eastern Victoria. The region covers more than 21,000 square kilometres or 10% of the State. The municipality covers an area of spectacular landscapes and vast natural resources. Almost 75% of the land is under public ownership. Private land amounts to around 4,200 square kilometres and only 64 square kilometres of land are classified as urban. With over 40 townships and localities, East Gippsland can be seen as a patchwork of communities, each with individual features and characteristics. East Gippsland has an Estimated Residential Population of approximately 47,316 residents (as at 30 June 2019). According to the 2016 census, East Gippsland has a high proportion of low-income households (26.9%) compared to the Victorian average and the rest of Gippsland. East Gippsland Shire Council provides more than 100 high quality services and facilities across a range of areas including Community Services, Economic Development, Environmental Services, Customer Services, Health and Wellbeing, Planning and Building and more. We are responsible for maintaining 2,978 km of roads, 203 bridges, over 300 km of drains, 533 km of kerb and channel, 350 hectares of Parks and Gardens and over 4,500 street lights.

East Gippsland Shire Council

Sustainable Capacity Indicators

For the year ended 30 June 2020

	<i>Indicator/measure</i>	Results				Material Variations and Comments
		2017	2018	2019	2020	
	<i>Population</i>					
C1	<i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$2,018.63	\$1,918.95	\$1,953.22	\$2,250.55	As a result of additional funding for both drought programs and bushfire related works and programs, there was additional expenditure in 2019-20.
C2	<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$17,607.72	\$20,505.46	\$21,029.01	\$20,767.18	No material variations
C3	<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	15.10	15.58	15.86	15.89	No material variations
	<i>Own-source revenue</i>					
C4	<i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$1,562.73	\$1,603.61	\$1,599.56	\$1,788.08	Additional user fees from the bushfire waste clean-up increased the revenue per head of municipal population.
	<i>Recurrent grants</i>					
C5	<i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$605.59	\$447.58	\$414.07	\$471.68	Additional Roads to Recovery grant funding was received in 2019-20. There was also additional Victoria Grants Commission payment received when the 50% of the 2020-21 allocation was received in the 2019-20 year.
	<i>Disadvantage</i>					
C6	<i>Relative Socio-Economic Disadvantage</i> [Index of Relative Socio-Economic Disadvantage by decile]	3.00	3.00	3.00	3.00	No material variations.
	<i>Workforce Turnover</i>					
C7	<i>Percentage of staff turnover</i> [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x 100	15.3%	11.4%	11.6%	9.6%	

East Gippsland Shire Council

Service Performance Indicators

For the year ended 30 June 2020

	Service/indicator/measure	Results				Material Variations and Comments
		2017	2018	2019	2020	
AF6	Aquatic Facilities Utilisation <i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	8.12	8.45	8.31	5.63	The result is directly impacted by the Black Summer Bushfires and COVID-19 Pandemic as the facilities had to close due to the risks to public safety. Due to the COVID-19 restrictions, the Bairnsdale Aquatic and Recreation Centre and Lakes Aquadome facilities were forced to close from 23 March 2020 through until 22 June 2020.
AM7	Animal Management Health and safety <i>Animal management prosecutions</i> [Number of successful animal management prosecutions]	New in 2020	New in 2020	New in 2020	100%	Council had one prosecution during 2019-20 which was successful. Due to COVID-19 restrictions imposed a number of other animal prosecutions were unable to be heard during the reporting period.
FS4	Food Safety Health and safety <i>Critical and major non-compliance outcome notifications</i> [Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises] x100	100.00%	100.00%	90.48%	85.71%	Seven major non compliances notifications were received in the year, with six of these being actioned within the current year. Due to the timing of the final notification it was followed up in the following reporting period.
G5	Governance Satisfaction <i>Satisfaction with council decisions</i> [Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]	50.00	51.00	46.00	54.00	The use of social media expanded Council's reach into the community and provided real time updates on critical information during and following the bushfires. This included the distribution of regular newsletters through printing hard copies and using online channels.

East Gippsland Shire Council

Service Performance Indicators

For the year ended 30 June 2020

	Service/ <i>indicator</i> /measure	Results				Material Variations and Comments
		2017	2018	2019	2020	
LB4	Libraries Participation <i>Active library borrowers in municipality</i> [Number of active library borrowers in the last three years / The sum of the population for the last three years] x100	21.35%	20.13%	19.60%	19.01%	It would be reasonable to attribute the decrease to the bushfires that impacted communities across the shire and the COVID-19 pandemic that limited services Council were able to safely offer. A Click and Collect service was established to enable borrowing which had some uptake and the Bairnsdale Library was able to offer limited service under the pandemic restrictions. It is also noteworthy that the impact of the bushfires across the shire were severe, shifting priorities of communities and therefore may have also contributed to less active borrowing over the reporting period.
R5	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]	46.00	50.00	49.00	55.00	Council has continued to invest significantly in sealed road resealing, reconstruction and the improvement of urban streets, while also striving to maximise external State and Australian Government grants for road projects. The strategy is to ensure that sealed road network condition is not only maintained but reflects incremental improvements for the benefit of the community.
SP4	Statutory Planning Decision making <i>Council planning decisions upheld at VCAT</i> [Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100	50.00%	66.67%	25.00%	100%	Four of Council's planning decisions were appealed to VCAT, with all four being upheld and none were set aside (overturned).
	Waste Collection					

East Gippsland Shire Council

Service Performance Indicators

For the year ended 30 June 2020

	Service/ <i>indicator</i> /measure	Results				Material Variations and Comments
		2017	2018	2019	2020	
WC5	<i>Waste diversion</i> <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	53.01%	50.81%	51.45%	52.48%	There was an increase in green organics collected from January to June, which aligns with the period when residents were firstly removing green waste around their properties due to the bushfire threat, and then people were home more with COVID-19 restrictions increasing their time to maintain their properties and remove green organics.

East Gippsland Shire Council

Service Performance Indicators

For the year ended 30 June 2020

Definitions

"active library borrower" means a borrower of a library who has borrowed a book or other resource from the library.

"annual report" means an annual report prepared by a council under sections 131, 132 and 133 of the Act

"class 1 food premises" means food premises, within the meaning of the *Food Act 1984*, that have been declared as class 1 food premises under section 19C of that Act

"class 2 food premises" means food premises, within the meaning of the *Food Act 1984*, that have been declared as class 2 food premises under section 19C of that Act

"critical non-compliance outcome notification" means a notification received by council under section 19N (3) or (4) of the *Food Act 1984*, or advice given to council by an authorised officer under that Act, of a deficiency that poses an immediate serious threat to public health

"food premises" has the same meaning as in the *Food Act 1984*

"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

"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.

East Gippsland Shire Council

Financial Performance Indicators

For the year ended 30 June 2020

	Dimension/ <i>indicator</i> /measure	Results				Forecasts				Material Variations and Comments
		2017	2018	2019	2020	2021	2022	2023	2024	
E2	Efficiency Expenditure level <i>Expenses per property assessment</i> [Total expenses / Number of property assessments]	\$2,836.05	\$2,793.63	\$2,882.19	\$3,356.25	\$3,448.14	\$3,052.00	\$3,039.31	\$3,075.56	There was an increase in expenditure for 2019-20 as a result of the reinstatement works that resulted from the 2019-20 bushfires. There was also additional expenditure related to drought assistance for the community. There was also significant additional funding offsetting the additional expenditure as a result of the bushfire events and drought assistance to the community.
	Revenue level <i>Average residential rate per residential property assessment</i> [Residential rate revenue / Number of residential property assessments]	New in 2020	New in 2020	New in 2020	\$1,599.31	\$1,586.27	\$1,619.53	\$1,653.78	\$1,688.69	
L1	Liquidity Working capital <i>Current assets compared to current liabilities</i> [Current assets / Current liabilities] x100	304.42%	333.34%	349.01%	344.27%	233.00%	177.11%	174.03%	110.81%	Additional income was received for the bushfire waste clean up that has resulted in additional cash at year end. The additional cash will be held in a discretionary reserve for potential future costs associated with the
L2	Unrestricted cash <i>Unrestricted cash compared to current liabilities</i> [Unrestricted cash / Current liabilities] x100	62.45%	5.73%	-8.44%	35.36%	152.99%	100.72%	81.32%	30.56%	

East Gippsland Shire Council

Financial Performance Indicators

For the year ended 30 June 2020

	Dimension/ <i>indicator</i> /measure	Results				Forecasts				Material Variations and Comments
		2017	2018	2019	2020	2021	2022	2023	2024	
										rehabilitation and aftercare for the reopened Orbest landfill that was used for the bushfire waste disposal. There was also \$33.5 million of investments held at 30 June 2020 that are classified as other financial assets as they had an investment term greater than 90 days. These investments matured in July 2021 and would have increased the unrestricted cash if they were taken into account.
	Obligations									
	Loans and borrowings									
O2	Loans and borrowings compared to rates [Interest bearing loans and borrowings / Rate revenue] x100	12.57%	10.80%	7.15%	5.69%	9.43%	16.33%	15.59%	14.15%	No new borrowings were taken up during the year with only repayments for the existing loan.
O3	Loans and borrowings repayments compared to rates [Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100	4.50%	2.03%	3.99%	1.75%	0.54%	3.40%	0.74%	1.44%	No new borrowings were taken up during the year with only repayments for the existing loan.
	Indebtedness									
O4	Non-current liabilities compared to own source revenue [Non-current liabilities / Own source revenue] x100	25.48%	16.72%	16.35%	19.91%	16.36%	26.07%	24.44%	25.83%	The timing for landfill rehabilitation works has increased the non-current provision for the landfill Rehabilitation.
	Asset renewal									
O5	Asset renewal and upgrade compared to depreciation [Asset renewal and asset upgrade expense / Asset depreciation] x100	New in 2020	New in 2020	New in 2020	136.06%	244.96%	155.28%	122.23%	128.67%	

East Gippsland Shire Council

Financial Performance Indicators

For the year ended 30 June 2020

	Dimension/ <i>indicator</i> /measure	Results				Forecasts				Material Variations and Comments
		2017	2018	2019	2020	2021	2022	2023	2024	
OP1	Operating position									
	Adjusted underlying result									
	<i>Adjusted underlying surplus (or deficit)</i> [Adjusted underlying surplus (deficit)/ Adjusted underlying revenue] x100	7.25%	7.06%	4.34%	9.78%	-2.33%	0.22%	1.80%	0.08%	There was a significant increase in operating grants and user fees as a result of funding for bushfire support projects and waste fees for the use of the reopened Orbest landfill to accept bushfire waste. There was \$9.3 million of unspent operating grants at year end as the work associated with these grants will not be completed until the 2020-21 year. The surplus of the additional waste income from bushfire clean-up will be held in a discretionary reserve for funding future aftercare works at the landfill sites.
S1	Stability									
	Rates concentration									
	<i>Rates compared to adjusted underlying revenue</i> [Rate revenue / Adjusted underlying revenue] x100	54.25%	57.85%	59.64%	49.85%	54.92%	61.80%	62.39%	64.08%	As a result of the additional operating grants relating to the bushfires in 2019-20 and drought assistance, together with the additional user fees from the bushfire waste disposal, the rates as a percentage of adjusted underlying revenue reduced.
S2	Rates effort									
	<i>Rates compared to property values</i> [Rate revenue / Capital improved value of rateable properties in the municipality] x100	0.56%	0.57%	0.57%	0.55%	0.54%	0.54%	0.54%	0.54%	No material variations.

East Gippsland Shire Council

Financial Performance Indicators

For the year ended 30 June 2020

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.

East Gippsland Shire Council

Other Information

For the year ended 30 June 2020

	Retired measures <i>Service/indicator/measure</i>	Results				Material Variations and Comments
		2017	2018	2019		
	Animal Management					
AM4	Health and Safety <i>Animal management prosecutions</i> [Number of successful animal management prosecutions]	1.00	7.00	2.00	Retired in 2020	This measure was replaced by AM7 from 1 July 2019.
	Efficiency					
E1	Revenue level <i>Average residential rate per residential property assessment</i> [Residential rate revenue / Number of residential property assessments]	\$1,582.84	\$1,642.79	\$1,689.12	Retired in 2020	This measure was replaced by E4 from 1 July 2019.
	Obligations					
O1	Asset renewal <i>Asset renewal compared to depreciation</i> [Asset renewal expense / Asset depreciation] x 100	89.95%	71.86%	112.51%	Retired in 2020	This measure was replaced by O5 from 1 July 2019.

East Gippsland Shire Council

Financial Performance Indicators

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 25 August 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.

East Gippsland Shire Council

Certification of the performance statement

For the year ended 30 June 2020

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.

Elizabeth Collins, CPA
Principal Accounting Officer
Dated: xx September 2020

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

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

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

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

Councillor
Councillor

Dated: xx September 2020

Councillor
Councillor

Dated: xx September 2020

Anthony Basford
Chief Executive Officer

Dated: xx September 2020