

Item 10.5 Unaudited 2016-17 Annual Financial Statements and Performance Statement

Appendix A – Financial Report for the Year Ended
30 June 2017



Financial Report For the Year Ended 30 June 2017



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FINANCIAL REPORT

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Comprehensive Income Statement For the Year Ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Income			
Rates and charges	3	107,084	102,452
Statutory fees and fines	4	2,658	2,110
User fees	5	14,911	14,674
Grants - operating	6	25,957	20,455
Grants - capital	6	4,572	3,183
Contributions - monetary	7	6,520	5,023
Contributions - non-monetary	7	-	1,210
Share of net profit of associate	8	240	219
Other income	9	2,991	3,190
Total income		164,933	152,516
Expenses			
Employee costs	10	(65,843)	(67,952)
Materials and services	11	(49,969)	(48,740)
Depreciation and amortisation	12	(19,307)	(19,145)
Contributions and donations	13	(5,566)	(5,151)
Borrowing costs	14	(2,045)	(874)
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	15	(2,235)	15,691
Bad and doubtful debts	16	(41)	10
Other expenses	17	(1,476)	(1,316)
Total expenses		(146,482)	(127,477)
Surplus for the year		18,451	25,039
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods:			
Net asset revaluation increment	29(a)	5,010	147,503
Total comprehensive result		23,461	172,542

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

Balance Sheet As At 30 June 2017

	Note	2017 \$'000	2016 \$'000
Assets			
Current assets			
Cash and cash equivalents	18	18,430	8,830
Other financial assets	19	49,100	58,100
Trade and other receivables	20	10,543	9,841
Non-current assets classified as held for sale	21	314	25
Other assets	22	1,271	1,458
Inventories		5	4
Total current assets		79,663	78,258
Non-current assets			
Investment in Eastern Regional Libraries Corporation	8	3,981	3,741
Property, infrastructure, plant and equipment	23	1,695,782	1,686,028
Intangible assets	24	1,858	1,312
Total non-current assets		1,701,621	1,691,081
Total assets		1,781,284	1,769,339
Liabilities			
Current liabilities			
Trade and other payables	25	10,020	10,894
Trust funds and deposits	26	7,164	2,653
Provisions	27	16,639	16,688
Interest-bearing loans and borrowings	28	-	3,811
Total current liabilities		33,823	34,046
Non-current liabilities			
Provisions	27	5,803	7,660
Interest-bearing loans and borrowings	28	-	9,436
Total non-current liabilities		5,803	17,096
Total liabilities		39,626	51,142
Net assets		1,741,658	1,718,197
Equity			
Accumulated surplus		629,163	615,468
Reserves	29	1,112,495	1,102,729
Total equity		1,741,658	1,718,197

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

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

2017	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		1,718,197	615,468	1,067,083	35,646
Surplus for the year		18,451	18,451	-	-
Net asset revaluation increment/(decrement)	29(a)	5,010	-	5,010	-
Transfers to other reserves	29(b)	-	(12,082)	-	12,082
Transfers from other reserves	29(b)	-	7,326	-	(7,326)
Balance at end of the financial year		1,741,658	629,163	1,072,093	40,402

2016	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		1,545,655	604,516	919,580	21,559
Surplus for the year		25,039	25,039	-	-
Net asset revaluation increment/(decrement)	29(a)	147,503	-	147,503	-
Transfers to other reserves	29(b)	-	(24,507)	-	24,507
Transfers from other reserves	29(b)	-	10,420	-	(10,420)
Balance at end of the financial year		1,718,197	615,468	1,067,083	35,646

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

Statement of Cash Flows For the Year Ended 30 June 2017

	Note	2017 Inflows/ (Outflows) \$'000	2016 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		106,569	102,318
Statutory fees and fines		2,661	2,113
User fees		15,354	14,813
Grants - operating		25,918	20,522
Grants - capital		4,696	3,057
Contributions		6,598	5,026
Interest received		1,471	1,174
Net GST refund		8,064	7,726
Other receipts		1,738	1,971
Net movement in trust deposits		4,511	(497)
Employee costs		(66,863)	(67,805)
Materials and services		(59,206)	(53,399)
Contributions and donations		(6,068)	(5,651)
Other payments		(1,652)	(1,343)
Net cash provided by operating activities	30	43,791	30,025
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(29,396)	(29,731)
Proceeds from sales of property, infrastructure, plant and equipment		1,559	19,655
Payments for investments		(49,100)	(58,100)
Proceeds from sale of investments		58,100	22,100
Net cash used in investing activities		(18,837)	(46,076)
Cash flows from financing activities			
Repayment of borrowings		(13,247)	(2,120)
Finance costs		(2,107)	(883)
Net cash used in financing activities		(15,354)	(3,003)
Net increase/(decrease) in cash and cash equivalents		9,600	(19,054)
Cash and cash equivalents at the beginning of the financial year		8,830	27,884
Cash and cash equivalents at the end of the financial year	18	18,430	8,830
Financing arrangements	31		
Restrictions on cash assets	18		

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

Statement of Capital Works For the Year Ended 30 June 2017

	2017 \$'000	2016 \$'000
Property		
Land	290	3,372
Total land	290	3,372
Buildings	5,155	3,551
Total buildings	5,155	3,551
Total property	5,445	6,923
Plant and equipment		
Artworks	-	22
Plant, machinery and equipment	1,388	1,816
Fixtures, fittings and furniture	174	187
Computers and telecommunications	1,605	1,195
Total plant and equipment	3,167	3,220
Infrastructure		
Roads	9,612	6,115
Bridges	251	278
Footpaths and cycleways	2,862	4,065
Drainage	1,951	3,337
Recreational, leisure and community facilities	5,065	4,690
Off street car parks	1,054	975
Other infrastructure	-	163
Total infrastructure	20,795	19,623
Total capital works expenditure	29,407	29,766
Represented by:		
New asset expenditure	2,110	4,811
Asset renewal expenditure	21,245	19,252
Asset expansion expenditure	392	357
Asset upgrade expenditure	5,660	5,346
Total capital works expenditure	29,407	29,766

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

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

Introduction

Knox City Council was established by an Order of the Governor in Council in 1994 and is a body corporate. The Council's main office is located at 511 Burwood Highway, Wantirna South, Victoria.

Statement of Compliance

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

Note 1 Significant accounting policies

(a) Basis of accounting

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

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

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

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

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

(b) Changes in accounting policies

There have been no changes in accounting policies from the previous period.

(c) Accounting for investment in associate

An associate is an entity over which Council has significant influence but not control or joint control. Investment in an associate is accounted for using the equity method of accounting, after initially being recognised at cost.

Eastern Regional Libraries Corporation (ERLC)

An investment has been recognised in the Eastern Regional Libraries Corporation (ERLC) based on Council's contribution of the net assets to the entity on its commencement on 1 July 1996. Changes in the net assets of the ERLC are brought to account as an adjustment to the carrying value of the investment. Council's share of the equity of the ERLC is 36.39%, representing the percentage of Council's original equity contribution upon establishment of the ERLC as at July 1996.

Council's investment at 30 June 2017 is based on the Corporation's financial report and has been disclosed in Note 8.

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

Note 1 Significant accounting policies (cont'd)

(d) Revenue recognition

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

Rates and charges

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

Statutory fees and fines

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

User fees

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

Grants

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

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

Contributions

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

Sale of property, infrastructure, plant and equipment

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

Interest

Interest is recognised as it is earned.

Other Income

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

(e) Fair value measurement

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

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

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

Note 1 Significant accounting policies (cont'd)

(e) Fair value measurement (cont'd)

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.

(f) Cash and cash equivalents

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.

(g) Trade and other receivables

Short term receivables are carried at invoice amount as amortised cost using the effective interest rate method would not impact the carrying value. A provision for doubtful debts is recognised when there is objective evidence that impairment has occurred. Long term receivables are carried at amortised cost using the effective interest rate method.

(h) Other financial assets

Term deposits are held to maturity and measured at amortised cost.

(i) Inventories

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential.

(j) Non-current assets classified as held for sale

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

(k) Recognition and measurement of property, plant and equipment, infrastructure, intangibles

Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributed 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 and an appropriate share of directly attributable variable and fixed overheads.

In accordance with Council's policy, the threshold limits detailed in Note 1 (l) have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

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

Note 1 Significant accounting policies (cont'd)

(k) Recognition and measurement of property, plant and equipment, infrastructure, intangibles (cont'd)

Revaluation

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use on an asset result in changes to the permissible or practical highest and best use of the asset. Further details regarding the fair value hierarchy are disclosed at Note 23 Property, infrastructure, plant and equipment.

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 2 to 3 years. The valuations are performed either by experienced Council officers or independent experts. Cycleways, bridges and drainage were formally revalued as at 30 June 2017.

Where the assets are revalued, the revaluation increments are credited directly to the relevant 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 asset, revaluation increments and decrements within the year are offset.

Land under roads

Land under roads acquired after 30 June 2008 is brought to account at cost. Council does not recognise land under roads that it controlled prior to that date.

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

Buildings, plant and equipment, infrastructure and intangible 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.

Land, land improvements, land under roads, roads - earthworks and artworks are not depreciated on the basis that they are assessed as not having a limited useful life.

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

Note 1 Significant accounting policies (cont'd)

(l) Depreciation and amortisation of property, infrastructure, plant and equipment and intangibles (cont'd)

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

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

Asset recognition thresholds and depreciation periods

	Depreciation Period - Years	Threshold Limit \$'000
Property		
Land	n/a	10
Land improvements	n/a	10
Land under roads	n/a	10
Buildings		
Buildings	20-200	10
Plant and equipment		
Plant, machinery and equipment	3-10	2
Fixtures, fittings and furniture	3-10	1
Computers and telecommunications	3-10	1
Artworks	n/a	1
Infrastructure		
Roads – surfacing	2-50	5
Roads – kerb and channel	70	5
Roads – substructure	30-185	20
Roads – earthworks	n/a	20
Bridges	30-100	5
Footpaths and cycleways	2-50	5
Drainage	80	5
Recreational, leisure and community facilities	15-60	10
Off street car parks	2-185	10
Other infrastructure	7-30	2
Intangible assets		
Intangible assets	5	10

(m) Repairs and maintenance

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

(n) Impairment of assets

At each reporting date, 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 asset's carrying value. Any excess of the asset's 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.

(o) Trust funds and deposits

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited (refer to Note 26).

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

Note 1 Significant accounting policies (cont'd)

(p) Borrowings

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

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

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowing costs include interest on bank overdrafts and interest on borrowings.

(q) Employee costs and benefits

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

Wages and salaries and annual leave

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

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

Long service leave

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

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

The components of this current liability are measured at:

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

Classification of employee costs

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

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

Gratuity retirement allowance

A Gratuity retirement allowance exists for employees who commenced prior to 3 May 1996, with new employees who commenced after that date not being eligible and is recognised in the provision for employee benefits as a current liability. The components of this current liability are measured at:

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

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

Note 1 Significant accounting policies (cont'd)

(r) Landfill rehabilitation provision

Council owns two former landfill sites - Cathies Lane and Llewellyn Reserve. Under the terms of a licence agreement with the Environment Protection Authority (EPA) and Pollution Abatement notices, Council is required to monitor, progressively rehabilitate and conduct rectification works. The provision for landfill rehabilitation has been calculated based on the present value of the expected cost of works to be undertaken including site aftercare and monitoring costs. The expected cost of works has been estimated based on current understanding of work required to progressively rehabilitate the sites 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.

(s) Leases

Operating leases

Lease payments for operating leases, where the lessor effectively retains substantially all risks and benefits incidental to ownership of the leased item, are required by the accounting standard to be recognised on a straight line basis, rather than expensed in the years in which they are incurred. Commitments under these lease agreements are included in Note 33 Operating leases.

(t) Goods and Services Tax (GST)

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

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

(u) Financial guarantees

Financial guarantee contracts are not recognised as a liability in the balance sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe that it is probable that that right will be exercised. Details of guarantees that Council has provided, that are not recognised in the balance sheet are disclosed at Note 35 Contingent liabilities and contingent assets.

(v) Contingent liabilities and contingent assets and commitments

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

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

(w) Pending accounting standards

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

Revenue from contracts with customers (AASB 15) (applies 2018-19)

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

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

Note 1 Significant accounting policies (cont'd)

(w) Pending accounting standards (cont'd)

Leases (AASB 16) (applies 2019-20)

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

Council has a significant number of operating leases that will be impacted as a result of this change. This will see assets and liabilities of approximately \$1.790 million recognised.

(x) Rounding

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

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

Note 2 Budget comparison

The budget comparison note 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 greater than ten percent and \$1,000,000 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 figures detailed below are those adopted by Council on 28 June 2016. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for revenue and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

(a) Income and expenditure

	Budget 2017 \$'000	Actual 2017 \$'000	Variance 2017 \$'000	Ref
Income				
Rates and charges	104,834	107,084	2,250	
Statutory fees and fines	2,584	2,658	74	
User fees	15,314	14,911	(403)	
Grants - operating	22,417	25,957	3,540	1
Grants - capital	3,909	4,572	663	
Contributions - monetary	4,633	6,520	1,887	2
Contributions - non monetary	2,000	-	(2,000)	3
Share of net profit of associate	-	240	240	
Other income	2,108	2,991	883	
Total income	157,799	164,933	7,134	
Expenses				
Employee costs	66,797	65,843	954	
Materials and services	52,725	49,969	2,756	
Depreciation and amortisation	19,780	19,307	473	
Contributions and donations	5,323	5,566	(243)	
Borrowing costs	1,021	2,045	(1,024)	4
Net loss on disposal of property, infrastructure, plant and equipment	1,564	2,235	(671)	
Bad and doubtful debts	64	41	23	
Other expenses	559	1,476	(917)	
Total expenses	147,833	146,482	1,351	
Surplus/(deficit) for the year	9,966	18,451	8,485	

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

Note 2 Budget comparison (cont'd)

(a) Income and expenditure (cont'd)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Grants – operating	Grants - operating is higher than budget in part due to the early receipt of 50% of the 2017-18 Victoria Grants Commission funds in June 2017 (\$3.072 million).
2	Contributions – monetary	\$2.028 million higher than budget in developers monetary contributions due to a higher than anticipated number of developments during the year.
3	Contributions – non monetary	Developers have not provided Council with the necessary documentation to finalise the receipt of any non monetary contributions. Refer to Note 35 (e) Contingent assets – Developer contributions.
4	Borrowing costs	\$1.024 million increase in loan interest payments as a result of the strategic early extinguishment of Council's existing interest bearing loans.

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

Note 2 Budget comparison (cont'd)

(b) Capital works

	Budget 2017 \$'000	Actual 2017 \$'000	Variance 2017 \$'000	Ref
Property				
Land	7,985	290	7,695	1
Land improvements	-	-	-	
Total land	7,985	290	7,695	
Buildings	17,253	5,155	12,098	2
Total buildings	17,253	5,155	12,098	
Total property	25,238	5,445	19,793	
Plant and equipment				
Artworks	60	-	60	
Plant, machinery and equipment	3,217	1,388	1,829	3
Fixtures, fittings and furniture	5	174	(169)	
Computers and telecommunications	3,072	1,605	1,467	4
Total plant and equipment	6,354	3,167	3,187	
Infrastructure				
Roads	9,370	9,612	(242)	
Bridges	350	251	99	
Footpaths and cycleways	3,114	2,862	252	
Drainage	3,195	1,951	1,244	5
Recreational, leisure and community facilities	6,325	5,065	1,260	6
Off street car parks	550	1,054	(504)	
Other infrastructure	2,636	-	2,636	7
Total infrastructure	25,540	20,795	4,745	
Total capital works expenditure	57,132	29,407	27,725	
Represented by:				
New asset expenditure	12,877	2,110	10,767	
Asset renewal expenditure	25,857	21,245	4,612	
Asset expansion expenditure	3,787	392	3,395	
Asset upgrade expenditure	14,611	5,660	8,951	
Total capital works expenditure	57,132	29,407	27,725	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	Capital expenditure is lower than budget due to the carry forward to 2017-18 of land purchases relating to the Knox Central project.
2	Buildings	Capital expenditure is lower than budget due to \$1.534 million of works unable to be capitalised, mainly from general building maintenance costs (\$1.028 million), together with projects being capitalised under different classes (\$0.060 million). Also, works on the Early Years Hubs (\$6.602 million) and Stamford Park development (\$3.753 million) that is to be carried forward to 2017-18.

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

Note 2 Budget comparison (cont'd)

(b) Capital works (cont'd)

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

Variance Ref	Item	Explanation
3	Plant, machinery and equipment	Capital expenditure is lower than budget due to \$0.732 million of works to be carried forward to 2017-18, together with projects being capitalised under different classes (\$0.800 million). Also, a \$0.300 million saving due to fleet vehicles not reaching their target replacement kilometres during the 2016-17 financial year.
4	Computers and telecommunications	Capital expenditure is lower than budget due to \$1.211 million of works unable to be capitalised together with projects being capitalised under different classes (\$0.625 million).
5	Drainage	Capital expenditure is lower than budget due to \$0.337 million of works unable to be capitalised, works on the Mint Street Wetland construction (\$0.364 million) to be carried forward to 2017-18, and works on the Boronia Road Overland Flowpath being put on hold (\$0.474 million).
6	Recreational, leisure and community facilities	Capital expenditure is lower than budget due to landscaping and planting works unable to be capitalised (\$1.040 million).
7	Other infrastructure	Capital expenditure is lower than budget due to street light works that cannot be capitalised (\$3.021 million including carry forwards from 2015-16), plus an additional \$0.500 million which will be carried forward to 2017-18.

2017	2016
\$'000	\$'000

Note 3 Rates and charges

Council uses Capital Improved Value (CIV) as the basis of rating of all properties within the municipal district. The CIV takes into account the total value of a property including all land, buildings and other improvements but excluding fixtures and fittings.

The valuation base used to calculate general rates for 2016-17 was \$41,011 million (2015-16 \$33,591 million). The 2016-17 rate in the CIV dollar was \$0.0021114 (2015-16 \$0.0026614) for the residential rate.

General rates	100,856	97,517
Service rates and charges	3,843	3,735
Supplementary rates and rate adjustments	1,859	688
Cultural and recreational	43	44
Interest on rates and charges	483	468
Total rates and charges	107,084	102,452

The date of the latest general revaluation for rating purposes within the municipal district was 1 January 2016 and the valuation first applied to the rating year commencing 1 July 2016.

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

		2017	2016
		\$'000	\$'000
Note 4	Statutory fees and fines		
	Permits	1,642	939
	Infringements and costs	704	733
	Town planning fees	200	323
	Land information certificates	110	107
	Court recoveries	2	8
	Total statutory fees and fines	<u>2,658</u>	<u>2,110</u>
Note 5	User fees		
	Waste management services	4,869	4,612
	Child care/children's programs	3,470	3,776
	Registration and other permits	1,798	1,548
	Leisure centre and recreation	1,518	1,991
	Aged and health services	969	1,039
	Building services	573	473
	Other fees and charges	1,714	1,235
	Total user fees	<u>14,911</u>	<u>14,674</u>
Note 6	Grants		
	Grants were received in respect of the following:		
	Summary of grants		
	Commonwealth funded grants	18,641	8,367
	State funded grants	11,888	15,271
	Total grants received	<u>30,529</u>	<u>23,638</u>
	Operating grants		
	<i>Recurrent - Commonwealth Government</i>		
	Victoria Grants Commission	9,006	3,004
	General home care	3,882	-
	Family and children - child care	2,432	2,522
	Family and children - other	-	1
	<i>Recurrent - State Government</i>		
	Family and children - preschool	5,676	5,405
	General home care	1,978	5,312
	Family and children - maternal and child health	1,215	1,023
	School crossing supervisors	410	389
	Family and children - youth services	237	229
	Other	183	143
	Community health	158	142
	Family and children - child care	80	64
	Aged care	-	137
	Total recurrent operating grants	<u>25,257</u>	<u>18,371</u>

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

	2017 \$'000	2016 \$'000
Note 6 Grants (cont'd)		
<i>Non-recurrent - Commonwealth Government</i>		
Family and children - early intervention	-	414
Family and children - family day care	-	226
Family and children - maternal and child health	-	2
<i>Non-recurrent - State Government</i>		
Family and children - early intervention	528	815
Other	76	42
Community health	32	202
Environmental planning	23	46
Recreation	22	39
Family and children - youth services	19	21
General home care	-	204
Community safety	-	40
Family and children - maternal and child health	-	30
Family and children - child care	-	3
Total non-recurrent operating grants	700	2,084
Total operating grants	25,957	20,455
 Capital grants		
<i>Recurrent - Commonwealth Government</i>		
Victoria Grants Commission - local roads	1,581	506
Roads to recovery	1,174	1,453
Total recurrent capital grants	2,755	1,959
<i>Non-recurrent - Commonwealth Government</i>		
Recreational, leisure and community facilities	471	152
Buildings	75	17
Off street car parks	20	70
<i>Non-recurrent - State Government</i>		
Recreational, leisure and community facilities	1,036	686
Buildings	150	238
Roads	65	-
Footpaths	-	54
Off street car parks	-	7
Total non-recurrent capital grants	1,817	1,224
Total capital grants	4,572	3,183
 Unspent grants received on condition that they be spent in a specific manner		
Balance at start of year	143	101
Received during the financial year and remained unspent at balance date	1,011	143
Received in prior years and spent during the financial year	(143)	(101)
Balance at year end	1,011	143

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

		2017	2016
		\$'000	\$'000
Note 7	Contributions		
	Monetary	6,520	5,023
	Non-monetary	-	1,210
	Total contributions	6,520	6,233
	<i>Contributions of non-monetary assets were received in relation to the following asset classes.</i>		
	Land	-	815
	Drainage	-	220
	Roads	-	146
	Footpaths and cycleways	-	29
	Total non-monetary contributions	-	1,210
Note 8	Investment in associates		
	Investment in associate accounted for by the equity method is:		
	- Eastern Regional Libraries Corporation (ERLC)	3,981	3,741
	Eastern Regional Libraries Corporation (ERLC)		
	Background		
	The principal activity of ERLC is the operation of libraries. Council's ownership interest of ERLC as at 30 June 2017 was 36.39% (2016 - 36.39%) based on Council's share of net assets. Council's proportion of voting power as at 30 June 2017 was 33.33% (2016 - 33.33%).		
	Fair value of Council's investment in Eastern Regional Libraries Corporation	3,981	3,741
	Council's share of accumulated surplus		
	Council's share of accumulated surplus at start of year	3,741	3,522
	Reported surplus for year	240	219
	Council's share of accumulated surplus at end of year	3,981	3,741
	Movement in carrying value of specific investment		
	Carrying value of investment at start of year	3,741	3,522
	Share of surplus for year	240	219
	Carrying value of investment at end of year	3,981	3,741
	Council's share of expenditure commitments		
	Operating commitments	227	131
	Capital commitments	-	2
	Council's share of expenditure commitments	227	133
	Council directly provides a number of additional resources free of charge to the Eastern Regional Libraries Corporation in relation to the mobile library and library branches in the Knox municipality. The annual operating cost to Council for providing these facilities are as follows:		
	Mobile Library	35	34
	Knox City, Rowville, Ferntree Gully, Boronia and Bayswater Library Branches	676	646

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

	2017	2016
	\$'000	\$'000
Note 9 Other income		
Interest	1,313	1,426
Recyclable material sales	783	702
Reimbursements	549	623
Rent	343	393
Other	3	46
Total other income	<u>2,991</u>	<u>3,190</u>

Note 10 (a) Employee costs

Wages and salaries	49,127	50,250
Annual leave and long service leave	6,188	6,989
Superannuation	4,860	4,980
Agency staff	4,261	4,471
WorkCover	993	850
Fringe benefits tax	414	412
Total employee costs	<u>65,843</u>	<u>67,952</u>

Note 10 (b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	416	499
Employer contributions - other funds	-	-
	<u>416</u>	<u>499</u>

Employer contributions payable at reporting date	-	-
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Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	3,071	3,294
Employer contributions - other funds	1,586	1,376
	<u>4,657</u>	<u>4,670</u>

Employer contributions payable at reporting date	359	383
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Refer to Note 34 for further information relating to Council's superannuation obligations.

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

	2017	2016
	\$'000	\$'000
Note 11 Materials and services		
Contract payments	30,244	28,606
Administration costs	5,725	5,355
Consultants	2,689	2,417
Consumable Materials and Equipment	2,610	2,826
Utilities	2,581	3,216
Information technology	1,665	1,801
Insurance	1,498	1,459
Building maintenance	1,472	1,572
Finance and legal costs	925	751
General maintenance	560	737
Total materials and services	<u>49,969</u>	<u>48,740</u>
 Note 12 Depreciation and amortisation		
Property	3,463	3,587
Plant and equipment	1,426	1,429
Infrastructure	13,970	13,906
Total depreciation	<u>18,859</u>	<u>18,922</u>
Intangible assets	448	223
Total depreciation and amortisation	<u>19,307</u>	<u>19,145</u>
 <i>Refer to Notes 23 and 24 for a more detailed breakdown of depreciation and amortisation charges.</i>		
 Note 13 Contributions and donations		
Contribution to the Eastern Regional Libraries Corporation	3,930	3,808
Community support payments	1,636	1,306
Governance - Ward funds	-	37
Total contributions and donations	<u>5,566</u>	<u>5,151</u>
 Note 14 Borrowing costs		
Interest - borrowings	148	874
Interest - borrowings break fee	1,897	-
Total borrowing costs	<u>2,045</u>	<u>874</u>
 Note 15 Net gain/(loss) on disposal of property, infrastructure, plant and equipment		
Proceeds of sale	1,545	19,629
Written down value of assets disposed	(3,780)	(3,938)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	<u>(2,235)</u>	<u>15,691</u>

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

	2017	2016
	\$'000	\$'000
Note 16 Bad and doubtful debts		
Parking and animal infringement debtors	19	82
Other debtors	22	(92)
Total bad and doubtful debts	41	(10)
 Note 17 Other expenses		
Operating lease rentals	929	797
Councillors allowances	345	351
Auditor's remuneration - internal	136	116
Auditor's remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	66	52
Total other expenses	1,476	1,316
 Note 18 Cash and cash equivalents		
Cash on hand	6	6
Cash at bank	13,424	8,824
Term deposits	5,000	-
Total cash and cash equivalents	18,430	8,830
Council's cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:		
- Trust funds and deposits (Note 26)	7,164	2,653
- Restricted reserves (Note 29)	11,723	9,872
- Unexpended grants (Note 6)	1,011	143
Total restricted funds	19,898	12,668
Total unrestricted cash and cash equivalents	(1,468)	(3,838)
<i>As at balance date Council had \$36.800 million in term deposits maturing within 90 days. Refer to Note 19.</i>		
Intended allocations		
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:		
- Other reserves (Note 29)	28,679	25,774
Total funds subject to intended allocations	28,679	25,774
<i>Refer also to Note 19 for details of other financial assets held by Council.</i>		
 Note 19 Other financial assets		
Term deposits	49,100	58,100
Total other financial assets	49,100	58,100

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

		2017	2016
		\$'000	\$'000
Note 20	Trade and other receivables		
	Current		
	<i>Statutory receivables</i>		
	Rates debtors	7,407	6,583
	Special rate assessment	52	52
	Parking and animal infringement debtors	1,325	1,201
	Provision for doubtful debts - parking and animal infringement debtors	(759)	(739)
	<i>Non statutory receivables</i>		
	Other debtors	2,538	2,756
	Provision for doubtful debts - other debtors	(20)	(12)
	Total current trade and other receivables	<u>10,543</u>	<u>9,841</u>

(a) Ageing of receivables

At balance date, other debtors representing financial assets were past due but not impaired (except for the debtors included in the impairment table below). The ageing of the Council's trade and other receivables (excluding statutory receivables) was:

Current (not yet due)	2,120	2,424
Past due by up to 30 days	162	83
Past due between 31 and 180 days	133	128
Past due between 181 and 365 days	33	24
Past due by more than 1 year	90	97
Total trade and other receivables	<u>2,538</u>	<u>2,756</u>

(b) Movement in provisions for doubtful debts

Balance at the beginning of the year	12	140
New provisions recognised during the year	21	2
Amounts already provided for and written off as uncollectible	(13)	(36)
Amounts provided for but recovered during the year	-	(94)
Balance at the end of the year	<u>20</u>	<u>12</u>

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

	2017	2016
	\$'000	\$'000
Note 20 Trade and other receivables (cont'd)		
(c) Ageing of individually impaired receivables		
At balance date, other debtors representing financial assets with a nominal value of \$4,675 (2016: \$1,847) were impaired. The amount of the provision raised against these debtors was \$4,675 (2016: \$1,847). The individually impaired debtors relate to family day care, preschool and child care debtors and have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with the Council's debt collectors or are on payment arrangements.		
The ageing of receivables that have been individually determined as impaired at reporting date was:		
Current (not yet due)	-	-
Past due by up to 30 days	-	-
Past due between 31 and 180 days	-	1
Past due between 181 and 365 days	-	-
Past due by more than 1 year	5	1
Total trade and other receivables	5	2
 Note 21 Non-current assets classified as held for sale		
Plant and equipment	-	14
Land at fair value	314	11
Total non-current assets classified as held for sale	314	25
 Note 22 Other assets		
Prepayments	802	839
Accrued income	469	619
Total other assets	1,271	1,458

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

Note 23 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At fair value 30 June 2016	At cost 30 June 2016	Acquisitions	Contributions	Revaluation	Depreciation	Disposal	Transfers	At fair value 30 June 2017	At cost 30 June 2017	Written down value 30 June 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	798,630	5,680	178	-	-	-	(1,182)	-	797,448	5,858	803,306
Buildings	129,539	-	2,313	-	-	(3,463)	(1,039)	861	125,071	3,140	128,211
Plant and equipment	-	8,268	2,044	-	-	(1,426)	(496)	-	-	8,390	8,390
Infrastructure	690,025	47,634	16,919	-	5,010	(13,970)	(1,353)	3,118	695,815	51,568	747,383
Work in progress	-	6,252	7,083	-	-	-	-	(4,843)	-	8,492	8,492
	1,618,194	67,834	28,537	-	5,010	(18,859)	(4,070)	(864)	1,618,334	77,448	1,695,782

Summary of work in progress

	Opening Work in progress	Additions	Transfers	Write offs	Closing Work in progress
	\$'000	\$'000	\$'000	\$'000	\$'000
Buildings	1,518	2,961	(861)	(39)	3,579
Infrastructure	4,734	4,122	(3,604)	(339)	4,913
	6,252	7,083	(4,465)	(378)	8,492

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

Note 23 Property, infrastructure, plant and equipment (cont'd)

Land and buildings	Land - specialised \$'000	Land - non specialised \$'000	Land improvements \$'000	Total land \$'000	Buildings - specialised \$'000	Total buildings \$'000	Work in progress \$'000	Total property \$'000
At fair value 1 July 2016	650,766	147,864	-	798,630	231,928	231,928	-	1,030,558
At cost 1 July 2016	2,525	-	3,155	5,680	-	-	1,518	7,198
Accumulated depreciation at 1 July 2016	-	-	-	-	(102,389)	(102,389)	-	(102,389)
	653,291	147,864	3,155	804,310	129,539	129,539	1,518	935,367
Movements								
Acquisition of assets at cost	-	178	-	178	2,313	2,313	2,961	5,452
Contributed assets	-	-	-	-	-	-	-	-
Revaluation increments/(decrements)	-	-	-	-	-	-	-	-
Fair value of assets disposed	(338)	(844)	-	(1,182)	(1,751)	(1,751)	-	(2,933)
Transfers at cost	-	-	-	-	861	861	(900)	(39)
	(338)	(666)	-	(1,004)	1,423	1,423	2,061	2,480
Movements in accumulated depreciation								
Depreciation and amortisation	-	-	-	-	(3,463)	(3,463)	-	(3,463)
Accumulated depreciation of disposals	-	-	-	-	712	712	-	712
Revaluation increments/(decrements)	-	-	-	-	-	-	-	-
	-	-	-	-	(2,751)	(2,751)	-	(2,751)
At fair value 30 June 2017	650,428	147,020	-	797,448	230,176	230,176	-	1,027,624
At cost 30 June 2017	2,525	178	3,155	5,858	3,175	3,175	3,579	12,612
Accumulated depreciation at 30 June 2017	-	-	-	-	(105,140)	(105,140)	-	(105,140)
	652,953	147,198	3,155	803,306	128,211	128,211	3,579	935,096

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

Note 23 Property, infrastructure, plant and equipment (cont'd)

Plant and equipment	Plant, machinery and equipment \$'000	Fixtures, fittings and furniture \$'000	Computers and telecomms \$'000	Artworks \$'000	Total plant and equipment \$'000
At cost 1 July 2016	11,549	2,204	3,214	346	17,313
Accumulated depreciation at 1 July 2016	(4,815)	(1,508)	(2,722)	-	(9,045)
	6,734	696	492	346	8,268
Movements					
Acquisition of assets at cost	1,385	53	606	-	2,044
Cost of assets disposed	(1,206)	(10)	(406)	-	(1,622)
	179	43	200	-	422
Movements in accumulated depreciation					
Depreciation and amortisation	(1,104)	(139)	(183)	-	(1,426)
Accumulated depreciation of disposals	713	10	403	-	1,126
	(391)	(129)	220	-	(300)
At cost 30 June 2017	11,728	2,247	3,414	346	17,735
Accumulated depreciation at 30 June 2017	(5,206)	(1,637)	(2,502)	-	(9,345)
	6,522	610	912	346	8,390

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

Note 23 Property, infrastructure, plant and equipment (cont'd)

Infrastructure	Roads	Bridges	Footpaths and cycleways	Drainage	Recreational, leisure and community facilities	Off street car parks	Other infrastructure	Work in progress	Total infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2016	625,520	9,681	140,716	265,198	-	24,471	5,324	-	1,070,910
At cost 1 July 2016	-	582	1,194	9,574	49,876	-	169	4,734	66,129
Accumulated depreciation at 1 July 2016	(177,111)	(2,810)	(74,428)	(120,208)	(13,618)	(4,895)	(1,575)	-	(394,645)
	448,409	7,453	67,482	154,564	36,258	19,576	3,918	4,734	742,393
Movements									
Acquisition of assets at cost	8,661	251	2,732	1,945	2,694	635	-	4,122	21,040
Contributed assets	-	-	-	-	-	-	-	-	-
Revaluation increments/(decrements)	-	2,529	(68)	12,030	-	-	-	-	14,491
Fair value of assets disposed	(1,853)	-	(2,745)	-	-	-	-	-	(4,598)
Cost of assets disposed	-	-	-	-	(785)	-	-	-	(785)
Transfers at cost	480	-	16	611	2,011	-	-	(3,943)	(825)
	7,288	2,780	(65)	14,586	3,920	635	-	179	29,323
Movements in accumulated depreciation									
Depreciation and amortisation	(5,812)	(107)	(2,735)	(3,439)	(1,215)	(479)	(183)	-	(13,970)
Accumulated depreciation of disposals	1,460	-	2,099	-	471	-	-	-	4,030
Revaluation increments/(decrements)	-	(512)	129	(9,098)	-	-	-	-	(9,481)
	(4,352)	(619)	(507)	(12,537)	(744)	(479)	(183)	-	(19,421)
At fair value 30 June 2017	623,667	13,043	139,617	289,358	-	24,471	5,324	-	1,095,480
At cost 30 June 2017	9,141	-	2,228	-	53,796	635	169	4,913	70,882
Accumulated depreciation at 30 June 2017	(181,463)	(3,429)	(74,935)	(132,745)	(14,362)	(5,374)	(1,758)	-	(414,066)
	451,345	9,614	66,910	156,613	39,434	19,732	3,735	4,913	752,296

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

Note 23 Property, infrastructure, plant and equipment (cont'd)

Valuation of land and buildings

Valuation of land and buildings were undertaken by Brian Robinson from Westlink Consulting, a qualified independent valuer, registration number 62215. 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 will have a significant impact on the fair value of these assets.

The date of the current valuation is detailed in the following table. A full revaluation of these assets will be conducted in 2017-18.

Details of the Council's land and buildings and information about their fair value hierarchy as at 30 June 2017 are as follows:

	Level 1	Level 2	Level 3	Date of
	\$'000	\$'000	\$'000	valuation
Land	-	147,020	-	June 2016
Specialised land	-	-	650,428	June 2016
Specialised buildings	-	-	125,071	June 2016
Total	<u>-</u>	<u>147,020</u>	<u>775,499</u>	

Valuation of infrastructure

The valuation of cycleways, bridges and drainage has been determined in accordance with a valuation undertaken by Mr John Bixby, Asset Strategy Team, Knox City Council. The date of the current valuation is detailed in the following table. The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

A full revaluation of fire hydrants will be conducted in 2017-18 and a full revaluation of off street car parks, footpaths and roads will be conducted in 2018-19.

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

2017 **2016**
\$'000 **\$'000**

Note 23 Property, infrastructure, plant and equipment (cont'd)

Valuation of infrastructure (cont'd)

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2017 are as follows:

	Level 1	Level 2	Level 3	Date of
	\$'000	\$'000	\$'000	valuation
Roads	-	-	442,229	June 2016
Bridges	-	-	9,614	June 2017
Footpaths and cycleways	-	-	64,684	June 2016/ June 2017
Drainage	-	-	156,613	June 2017
Off street car parks	-	-	19,097	June 2016
Other infrastructure	-	-	3,578	June 2015
Total	-	-	695,815	

Description of significant unobservable inputs into level 3 valuations

Specialised land is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 20% and 50%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$10 and \$924 per square metre.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$450 to \$3,800 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary up to 149 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 up to 185 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.

Reconciliation of specialised land at fair value

Parks and reserves	594,781	595,119
Community facilities	24,954	24,954
Civic precinct	21,737	21,737
Transfer station	8,956	8,956
Total specialised land at fair value	650,428	650,766

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

	2017	2016
	\$'000	\$'000
Note 24 Intangible assets		
Software	1,858	1,312
Total intangible assets	1,858	1,312
Gross carrying amount		
Balance at beginning of year	3,530	2,721
Additions	994	809
Balance at end of year	4,524	3,530
Accumulated amortisation and impairment		
Balance at beginning of year	2,218	1,995
Amortisation expense	448	223
Balance at end of year	2,666	2,218
Net book value at the end of the year	1,858	1,312
Note 25 Trade and other payables		
Trade payables	5,969	7,097
Accrued expenses	3,251	3,291
Prepaid income	800	506
Total trade and other payables	10,020	10,894
Note 26 Trust funds and deposits		
Refundable deposits	5,740	1,278
Fire services levy	902	845
Retention amounts	58	71
Other	464	459
Total trust funds and deposits	7,164	2,653

Purpose and nature of items

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

Fire service levy - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a four-instalment basis. Amounts disclosed 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.

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

Note 27 Provisions

	Employee \$'000s	Landfill rehabilitation \$'000s	Total \$'000s
2017			
Balance at beginning of the financial year	16,947	7,401	24,348
Additional provisions	6,093	(170)	5,923
Amounts used	(6,436)	(869)	(7,305)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(272)	(252)	(524)
Balance at the end of the financial year	16,332	6,110	22,442
2016			
Balance at beginning of the financial year	16,778	6,011	22,789
Additional provisions	6,399	1,739	8,138
Amounts used	(6,638)	(715)	(7,353)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	408	366	774
Balance at the end of the financial year	16,947	7,401	24,348
		2017	2016
		\$'000	\$'000
(a) Employee provisions			
Current provisions expected to be wholly settled within 12 months			
Annual leave		2,240	2,271
Long service leave		973	975
Gratuities		97	101
		3,310	3,347
Current provisions expected to be wholly settled after 12 months			
Annual leave		2,644	2,865
Long service leave		8,667	8,961
Gratuities		863	924
		12,174	12,750
Total current employee provisions		15,484	16,097
Non-current			
Long service leave		848	850
Total non-current employee provisions		848	850
Aggregate carrying amount of employee provisions:			
Current		15,484	16,097
Non-current		848	850
Total aggregate carrying amount of employee provisions		16,332	16,947

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

		2017	2016
		\$'000	\$'000
Note 27	Provisions (cont'd)		
	(b) Landfill rehabilitation		
	Current		
	Cathies lane landfill site	586	399
	Llewellyn reserve landfill site	569	192
		1,155	591
	Non-current		
	Cathies lane landfill site	3,499	4,128
	Llewellyn reserve landfill site	1,456	2,682
	Total non-current provisions	4,955	6,810
	Total aggregate carrying amount of landfill rehabilitation provisions	6,110	7,401

Cathies Lane landfill site

Council operated the Cathies Lane landfill site, Wantirna South from 1986 to 2004, under a licence issued by the Environment Protection Authority (EPA). Under the licence Council is required to rehabilitate the site and provide for future monitoring and aftercare of the site as well as a number of other obligations. The site is now closed as a landfill but a portion of the site is still being used as a transfer station to receive and transport waste to other sites for disposal. In 2015-16 the EPA issued a Post Closure Pollution Abatement notice and Council has surrendered the landfill licence.

In 2012 the EPA changed closed landfill guidelines and in 2013 issued several Supporting Pollution Abatement notices to Council requiring the completion of a number of management plans. These plans were completed in 2015-16, and provide further clarity regarding the future management options for leachate and landfill gas at the site and the cost implications for implementing recommended management measures.

In the financial report for June 2017, Council has an amount of \$4.085 million as a provision for the restoration of the Cathies Lane landfill site and includes an ongoing commitment of approximately \$0.259 million per annum for site aftercare to meet EPA obligations for the site where restoration works have been completed. This is based on the assessment undertaken in 2015 and a reassessment of the provision at balance date in which the provision was measured at the net present value of the future rehabilitation costs including aftercare and site monitoring costs. Council will be required to incur additional costs should it be directed to adopt an alternative approach.

Included in the aftercare is the cost to provide a bank guarantee to meet the Financial Assurance requirements imposed by the EPA on Council. The bank guarantee for \$1.094 million is required to be in place for thirty years post closure.

Llewellyn Reserve landfill site

Council's landfill site at Llewellyn Reserve was closed in 1985.

In 2012 the EPA changed closed landfill guidelines and in 2013 issued several Supporting Pollution Abatement notices to Council requiring the completion of a number of management plans. These plans were completed in 2015-16, and provide further clarity regarding the future management options for leachate and landfill gas at the site and the cost implications for implementing recommended management measures. The plans have concluded that a landfill gas extraction system is required for the site. In 2015-16 the EPA issued a Post Closure Pollution Abatement notice. The Post Closure Pollution Abatement notice requires Council to have in place a financial assurance for the Llewellyn Park site. There is no requirement to maintain a bank guarantee. Council provides financial assurance by way of the landfill provision for this site.

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

	2017	2016
	\$'000	\$'000

Note 27 Provisions (cont'd)

(b) Landfill rehabilitation (cont'd)

Llewellyn Reserve landfill site (cont'd)

In the financial report for June 2017, Council has an amount of \$2.025 million as a provision for the restoration of the Llewellyn Reserve landfill site and includes an ongoing commitment of approximately \$0.097 million per annum to cover sampling, testing and reporting requirements as required by the EPA. This is based on an assessment undertaken in 2015 and a reassessment of the provision at balance date in which the provision was measured at the net present value of the future rehabilitation costs including aftercare and site monitoring costs. Council will be required to incur additional costs should it be directed to adopt an alternative approach.

Summary of provisions

Current	16,639	16,688
Non-current	5,803	7,660
Total provisions	22,442	24,348

Note 28 Interest-bearing loans and borrowings

Current

Borrowings - secured (1)	-	3,811
	-	3,811

Non-Current

Borrowings - secured (1)	-	9,436
	-	9,436
Total interest-bearing loans and borrowings	-	13,247

(1) Borrowings were secured by the general Council rates (Westpac, ANZ and Commonwealth Bank) or income of the Council (Commonwealth Bank).

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

Not later than one year	-	3,811
Later than one year and not later than five years	-	3,336
Later than five years	-	6,100
	-	13,247

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

Note 29 Reserves

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
(a) Asset revaluation reserve			
2017			
Property			
Land	632,959	-	632,959
Buildings	52,016	-	52,016
	684,975	-	684,975
Plant and equipment			
Artworks	31	-	31
	31	-	31
Infrastructure			
Roads	256,306	-	256,306
Bridges	3,445	2,017	5,462
Footpaths and cycleways	17,962	61	18,023
Drainage	94,221	2,932	97,153
Off street car parks	7,348	-	7,348
Other infrastructure	2,795	-	2,795
	382,077	5,010	387,087
Total asset revaluation reserve	1,067,083	5,010	1,072,093
2016			
Property			
Land	500,556	132,403	632,959
Buildings	45,516	6,500	52,016
	546,072	138,903	684,975
Plant and equipment			
Artworks	31	-	31
	31	-	31
Infrastructure			
Roads	253,618	2,688	256,306
Bridges	3,445	-	3,445
Footpaths and cycleways	10,348	7,614	17,962
Drainage	94,221	-	94,221
Off street car parks	9,050	(1,702)	7,348
Other infrastructure	2,795	-	2,795
	373,477	8,600	382,077
Total asset revaluation reserve	919,580	147,503	1,067,083

Nature and purpose of asset revaluation reserve

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

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

Note 29 Reserves (cont'd)

(b) Other reserves

2017

	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
Restricted reserves				
Open space reserve	8,671	5,936	(4,004)	10,603
Basketball stadium infrastructure reserve	100	24	(24)	100
HACC capital reserve	508	45	(278)	275
State basketball centre asset renewal fund	289	-	-	289
Football pitch replacement fund	304	152	-	456
Total restricted reserves	9,872	6,157	(4,306)	11,723
<i>Reserves are restricted in nature as either a statutory reserve or a discretionary reserve (eg: Council resolution) - refer to Note 18.</i>				
Unrestricted reserves				
Mountain Gate reserve	-	140	-	140
City futures fund	3,161	-	(246)	2,915
Revegetation net gain	121	61	-	182
Revolving energy fund	70	-	-	70
Aged care reserve	4,822	250	(69)	5,003
Unexpended grant reserve (Victoria Grants Commission)	-	3,611	-	3,611
Stamford Park	14,158	1,840	(687)	15,311
Blue Hills	3,421	-	(2,018)	1,403
Scoresby Recreation reserve	21	23	-	44
Total unrestricted reserves	25,774	5,925	(3,020)	28,679
Total other reserves	35,646	12,082	(7,326)	40,402

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

Note 29 Reserves (cont'd)

(b) Other reserves (cont'd)

2016

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
	\$'000	\$'000	\$'000	\$'000
Restricted reserves				
Open space reserve	8,161	4,147	(3,637)	8,671
Basketball stadium infrastructure reserve	76	24	-	100
HACC capital reserve	528	80	(100)	508
State basketball centre asset renewal fund	225	100	(36)	289
Football pitch replacement fund	151	153	-	304
Total restricted reserves	9,141	4,504	(3,773)	9,872

Reserves are restricted in nature as either a statutory reserve or a discretionary reserve (eg: Council resolution) - refer to Note 18.

Unrestricted reserves

Mountain Gate reserve	439	140	(579)	-
City futures fund	2,198	971	(8)	3,161
Landfill rehabilitation reserve	979	-	(979)	-
Revegetation net gain	50	71	-	121
Revolving energy fund	58	40	(28)	70
Community infrastructure	20	-	(20)	-
Capital projects reserve	280	-	(280)	-
Aged care reserve	4,590	250	(18)	4,822
Unexpended grant reserve (Victoria Grants Commission)	3,804	-	(3,804)	-
Stamford Park	-	14,716	(558)	14,158
Blue Hills	-	3,794	(373)	3,421
Scoresby Recreation reserve	-	21	-	21
Total unrestricted reserves	12,418	20,003	(6,647)	25,774
Total other reserves	21,559	24,507	(10,420)	35,646

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

Note 29 Reserves (cont'd)

(b) Other reserves (cont'd)

Nature and purpose of reserves

Open space reserve

The Open Space Reserve is used to provide funding for future purchases and improvements of open space. Funding is provided from developer's contributions for open space which is initially recognised in the comprehensive income statement and then transferred to the reserve from accumulated surplus to facilitate separate tracking of the total funds received but not yet spent.

Basketball stadium infrastructure reserve

The purpose of this reserve is to improve basketball stadium facilities within the Knox municipality.

HACC capital reserve

The purpose of this reserve is to refurbish, upgrade and maintain minor capital within the Home and Community Care funded programs.

State basketball centre asset renewal fund

The purpose of this reserve is to provide for asset renewal works at the State Basketball Centre (Knox Regional Sports Park).

Football pitch replacement fund

The purpose of this reserve is to provide for future football pitch replacement at Knox Regional Sports Park.

Mountain Gate reserve

The purpose of this reserve is to enhance community facilities within Mountain Gate.

City futures fund

The purpose of this reserve is to construct major facilities within the Knox municipality.

Revegetation net gain

The purpose of this reserve is to ensure any loss of vegetation through development is re-established in a sustainable location.

Revolving energy fund

The purpose of this reserve is to re-invest savings in energy costs to be invested in further works to minimise energy consumption.

Aged care reserve

The purpose of this reserve is to set aside the proceeds from the divestment of the Amaroo Gardens Aged Care Facility by Council on 2 November 2011 for aged services and infrastructure within the Knox municipality.

Unexpended grant reserve (Victoria Grants Commission)

The purpose of this reserve is to quarantine early payment of Victoria Grants Commission General Purpose and Local Roads Federal Grant funding for use in the following year.

Stamford Park

The purpose of this reserve is to develop the Stamford Park site for the benefit of the Knox Community.

Blue Hills

The purpose of this reserve is to construct the Early Years Hubs facilities for the benefit of the Knox Community.

Scoresby Recreation reserve

The purpose of this reserve is to invest the income derived from lease of this site into the Scoresby Recreation Reserve.

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

	2017	2016
	\$'000	\$'000
Note 30 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus for the year	18,451	25,039
Depreciation/amortisation	19,307	19,145
Net (gain)/loss on disposal of property, infrastructure, plant and equipment	2,235	(15,691)
Contributions - non-monetary assets	-	(1,210)
Provision for bad and doubtful debts	41	(10)
Increment in investment in associate	(240)	(219)
Finance costs	2,045	874
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	(743)	(577)
(Increase)/decrease in prepayments	414	131
(Increase)/decrease in accrued income	137	(241)
Increase/(decrease) in trade and other payables	(460)	1,756
Increase/(decrease) in provisions	(1,906)	1,558
Increase/(decrease) in other liabilities	4,511	(532)
(Increase)/decrease in inventories	(1)	2
Net cash provided by operating activities	43,791	30,025
Note 31 Financing arrangements		
Bank overdraft	1,500	1,500
Credit card facilities	200	200
Total facilities	1,700	1,700
Used facilities	20	6
Unused facilities	1,680	1,694

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

Note 32 Commitments

The Council has entered into the following commitments:

2017

	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
Operating					
Garbage collection and recycling	17,005	16,340	32,241	-	65,586
Open space management	910	607	-	-	1,517
Consultancies	1,177	213	231	-	1,621
Cleaning contracts for council buildings	624	292	20	-	936
Infrastructure management	1,008	29	29	-	1,066
Home care services	403	403	-	-	806
Meals for delivery	513	513	-	-	1,026
Total	21,640	18,397	32,521	-	72,558
Capital					
Buildings	677	-	-	-	677
Roads	1,829	-	-	-	1,829
Other infrastructure	434	-	-	-	434
Total	2,940	-	-	-	2,940

2016

	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
Operating					
Garbage collection and recycling	14,306	14,488	25,649	16,402	70,845
Open space management	591	18	8	-	617
Consultancies	1,978	235	184	-	2,397
Cleaning contracts for council buildings	751	518	-	-	1,269
Infrastructure management	2,438	146	63	-	2,647
Total	20,064	15,405	25,904	16,402	77,775
Capital					
Buildings	446	180	103	-	729
Roads	1,510	202	202	-	1,914
Other infrastructure	1,423	-	-	-	1,423
Total	3,379	382	305	-	4,066

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

	2017 \$'000	2016 \$'000
Note 33 Operating leases		
(a) Operating lease commitments		
At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):		
Not later than one year	638	715
Later than one year and not later than five years	1,123	1,175
Later than five years	263	345
	2,024	2,235

(b) Operating lease receivables

Council has a number of leases with external entities where they pay for the use of Council land and buildings. A number of these leases include a CPI based revision of the rental charge annually.

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

Not later than one year	336	323
Later than one year and not later than five years	1,213	1,149
Later than five years	8,584	8,884
	10,133	10,356

Note 34 Superannuation

Knox City 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 the Comprehensive Income 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 2017, this was 9.5% as required under Superannuation Guarantee legislation (9.5% in 2015-16)).

Defined Benefit

Knox City 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 Knox City 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 Employee Benefits.

Funding arrangements

Knox City 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.

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

Note 34 Superannuation (cont'd)

Funding arrangements (cont'd)

As at 30 June 2016, 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 Knox City Council is a contributing employer was 102.0%. To determine the VBI, the fund Actuary used the following long-term assumptions:

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

Vision Super has advised that the VBI at the quarter ended 30 June 2017 was 103.1%. The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2016 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Employer contributions

Regular contributions

On the basis of the results of the 2016 interim actuarial investigation conducted by the Fund Actuary, Knox City Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2017, this rate was 9.5% of members' salaries (9.5% in 2015-16). This rate will increase in line with any increase to the contribution rate. In addition, Knox City Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

Funding calls

If the defined benefit category is in an unsatisfactory financial position at 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 Knox City 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.

2016 Interim actuarial investigation surplus amounts

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

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

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2016. 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. Knox City Council was notified of the 30 June 2016 VBI in August 2016.

2017 Full triennial actuarial investigation

A full actuarial investigation is being conducted for the Fund's position as at 30 June 2017. It is anticipated that this actuarial investigation will be completed in December 2017.

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

Note 34 Superannuation (cont'd)

Future superannuation contributions

In addition to the disclosed contributions, Knox City Council has paid unfunded liability payments to Vision Super totalling \$Nil during 2016-17 (2015-16: \$Nil). There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2017. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2018 is \$0.380 million.

Note 35 Contingent liabilities and contingent assets

Contingent liabilities

(a) Contingent liabilities arising from professional indemnity

As a local authority with statutory regulatory responsibilities, including the responsibility of issuing permits and approvals, the Council is at times met with claims and demands for damages allegedly arising from the actions of the Council or its officers. There are no outstanding claims against Council in this regard. The Council carries \$500.000 million (\$300.000 million 2015-16) of professional indemnity insurance and has an excess of \$0.020 million (\$0.020 million – 2015-16) per claim on this policy. Therefore, the maximum liability of the Council in any single claim is the extent of its excess. The primary insurer is LMI (MAV Insurance). There are no claims that Council is aware of which would fall outside the terms of the Council's policy.

(b) Contingent liabilities arising from public liability

As a large local authority with ownership of numerous parks, reserves, roads and other land holdings, the Council is regularly met with claims and demands allegedly arising from an incident that occurs on land belonging to the Council. There are nine outstanding claims against the Council in this regard. The Council carries \$500.000 million (\$400.000 million 2015-16) of public liability insurance and has an excess of \$0.020 million (\$0.020 million – 2015-16) per claim on this policy. Therefore, the maximum liability of the Council in any single claim is the extent of its excess. The primary insurer is LMI (MAV Insurance). There are no claims that Council is aware of which would fall outside the terms of the Council's policy.

(c) Contingent liabilities arising from potential shortfall in Defined Benefit Superannuation Plan (fund closed to new members in 1993)

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined in Note 34. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists. At this point in time it is not known if additional contributions will be required, their timing or potential amount.

(d) High Court decision in *Isbester v Knox City Council* (2015)

As a result of the High Court's decision in *Isbester v Knox City Council* (2015) Case M19/2015, Knox City Council will be liable to pay the applicant's (*Isbester*) costs. The final quantum and timing of payment is subject to ongoing negotiations.

Contingent assets

(e) Developer contributions

As a result of development activity within the Knox municipality, Council has identified as a contingent asset the developer contributions of infrastructure assets and open space contributions to be received in respect of subdivisions that are currently under development totalling \$25.603 million (2015-16, \$19.837 million).

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

Note 36 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 and financial liability is disclosed in Note 1 of the financial statements. Risk management is carried out by senior management under policies approved by the Council. These policies include identification and analysis of the risk exposure to Council and appropriate procedures, controls and risk minimisation.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. The Council's 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 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
- benchmarking of returns and comparison with budget.

Other than the settlement of Council's loan borrowings portfolio in September 2016, 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 has exposure to credit risk on some financial assets included in the balance sheet. To help manage this risk Council:

- has adopted a Debt Collection and Management procedure which provides guidelines for the management and collection of outstanding debts
- may require collateral where appropriate
- invests surplus funds with financial institutions which have a recognised credit rating specified in our 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 the provision of a guarantee for another party. Details of our contingent liabilities are disclosed in Note 35.

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.

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

Note 36 Financial instruments (cont'd)

(d) Liquidity risk

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

To help reduce these risks Council:

- has an investment policy which specifies the need to meet Council's cash flow requirements
- has readily accessible standby facilities and other funding arrangements in place
- has a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments
- monitors budget to actual performance on a regular basis
- 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 35, and is deemed insignificant based on prior periods' data and current assessment of risk.

Council settled its loan borrowings portfolio in September 2016 however this has not resulted in any 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.

All financial liabilities are expected to be settled within normal terms of trade.

(e) Fair value

Fair value hierarchy

Knox City Council does not have any financial assets that are measured at fair value subsequent to initial recognition.

(f) Sensitivity disclosure analysis

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

- a parallel shift of +1% and -1% in market interest rates (AUD) from year-end rates of 2.341% which is Council's average 90 day term deposit interest rate.

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.

Note 37 Related party disclosures

(i) Related parties

Parent entity

Knox City Council

Associates

Eastern Regional Libraries Corporation (ERLC)

Interests in associates are detailed in Note 8.

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

Note 37 Related party disclosures (cont'd)

(ii) Key Management Personnel

Details of persons holding the position of Councillor or other members of Key Management Personnel at any time during the year were:

Councillors		
Councillor Darren Pearce (Mayor)	Councillor from 1 July 2016 to 22 October 2016. Mayor from 8 November 2016 to current.	
Councillor Tony Holland (Mayor)	Mayor from 1 July 2016 to 22 October 2016. Councillor from 8 November 2016 to current.	
Councillor Peter Lockwood	1 July 2016 to 22 October 2016. 8 November 2016 to current.	
Councillor Adam Gill	1 July 2016 to 22 October 2016. 8 November 2016 to current.	
Councillor John Mortimore (Deputy Mayor)	Councillor from 1 July 2016 to 22 October 2016. Councillor from 8 November 2016 to 27 February 2017. Deputy Mayor from 27 February 2017 to current.	
Councillor Nicole Seymour	1 July 2016 to 22 October 2016. 8 November 2016 to current.	
Councillor Lisa Cooper	1 July 2016 to 22 October 2016. 8 November 2016 to current.	
Councillor Jackson Taylor	8 November 2016 to current.	
Councillor Jake Keogh	8 November 2016 to current.	
Councillor Karin Orpen	1 July 2016 to 22 October 2016.	
Councillor Joe Cossari	1 July 2016 to 22 October 2016.	

	2017	2016
	No.	No.
Total number of Councillors	11	9
Chief Executive Officer and other Key Management Personnel	7	7
Total Key Management Personnel	18	16

	2017	2016
	\$'000	\$'000

(iii) Remuneration of Key Management Personnel

Total remuneration of Key Management Personnel was as follows:

Short-term benefits	2,115	1,919
Long-term benefits	13	303
Termination benefits	-	-
Total	2,128	2,222

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

Note 37 Related party disclosures (cont'd)

(iii) Remuneration of Key Management Personnel (cont'd)

The numbers of Key Management Personnel whose total remuneration from Council and any related entities, fall within the following bands:

	2017	2016
	No.	No.
\$1 - \$9,999	2	-
\$10,000 - \$19,999	-	-
\$20,000 - \$29,999	2	-
\$30,000 - \$39,999	5	7
\$40,000 - \$49,999	1	-
\$50,000 - \$59,999	-	1
\$70,000 - \$79,999	-	-
\$80,000 - \$89,999	1	1
\$170,000 - \$179,999	1	-
\$230,000 - \$239,999	1	-
\$240,000 - \$249,999	-	2
\$250,000 - \$259,999	2	2
\$260,000 - \$269,999	2	-
\$280,000 - \$289,999	-	1
\$330,000 - \$339,999	1	-
\$580,000 - \$589,999 *	-	1
	18	15

* Includes payment of leave entitlements on resignation.

(iv) Transactions with related parties

During the period Council did not enter into any transactions with related parties.

(v) Outstanding balances with related parties

There were no balances outstanding at the end of the reporting period in relation to transactions with related parties.

(vi) Loans to/from related parties

There were no loans in existence at balance date that have been made, guaranteed or secured by the Council to a related party.

(vii) Commitments to/from related parties

There were no commitments in existence at balance date that have been made, guaranteed or secured by the Council to a related party.

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

Note 38 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 Officer; or
- (b) whose total annual remuneration exceeds \$142,000 (\$139,000 in 2015-16).

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

Income range	2017 No.	2016 No.
< \$142,000	-	4
\$142,000 - \$149,999	4	5
\$150,000 - \$159,999	2	1
\$160,000 - \$169,999	4	4
\$170,000 - \$179,999	5	7
\$180,000 - \$189,999	2	1
\$210,000 - \$219,999	-	1
\$230,000 - \$239,999	-	1
	17	24
	2017 \$'000	2016 \$'000
Total remuneration for the reporting year for Senior Officers included above amounted to:	2,818	3,961

Note 39 Events occurring after balance date

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

Certification of the Financial Statements

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

Dale Monk, B.Bus. (Acc), CPA
Principal Accounting Officer

Date: XX August 2017

Wantirna South

In our opinion the accompanying financial statements present fairly the financial transactions of Knox City Council for the year ended 30 June 2017 and the financial position of the Council as at that date.

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

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

Mayor/Councillor

Date: XX August 2017

Wantirna South

Councillor

Date: XX August 2016

Wantirna South

Tony Doyle
Chief Executive Officer

Date: XX August 2016

Wantirna South

Item 10.5 Unaudited 2016-17 Annual Financial Statements and Performance Statement

Appendix B – Performance Statement for the Year Ended 30 June 2017



Performance Statement For the Year Ended 30 June 2017



Performance Statement for the year ending 30 June 2017

Understanding the Performance Statement

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* (the Regulations).

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 (for example, the Australian Bureau of Statistics).

The Performance Statement presents the actual results for the current year and for the prescribed financial performance indicators and measures and the results forecast by Council's Strategic Resource Plan. The Regulations require explanation of any material variations in the results contained in the Performance Statement. The materiality thresholds have been set as +/-10% of the 2015–16 results.

The forecast figures included in the statement are those adopted by Council in its Strategic Resource Plan on 26 June 2017, 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 are 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 is available on Council's website.

The following statement provides the results of the prescribed service performance indicators and measures, including an explanation of material variations.

Description of the municipality

Located approximately 25 kilometres from Melbourne's Central Business District, the Knox municipality is a major hub of cultural, commercial, business and innovative activity in the eastern suburbs of Melbourne. It is a diverse municipality, with residents from 130 different countries who speak 54 languages. The City of Knox has an estimated resident population of 157,052 (as at 30 June 2017) and covers an area of 113.84 square kilometres. The area boasts a green, leafy image extending to the foothills of the picturesque Dandenong Ranges. Knox comprises the following suburbs: The Basin, Bayswater, Boronia, Ferntree Gully, Knoxfield, Lysterfield, Rowville, Sassafra, Scoresby, Upper Ferntree Gully, Wantirna and Wantirna South.

Sustainable Capacity Indicators

For the year ended 30 June 2017

Service/Indicator/measure	Result		Material Variations
	2016	2017	
Population			
Expenses per head of municipal population [Total expenses / Municipal population]	\$919.62	\$918.47	
Infrastructure per head of municipal population [Value of infrastructure / Municipal population]	\$5,663.62	\$5,682.68	
Population density per length of road [Municipal population / Kilometres of local roads]	215.92	217.52	
Own-source revenue			
Own-source revenue per head of municipal population [Own-source revenue / Municipal population]	\$888.59	\$800.05	
Recurrent grants			
Recurrent grants per head of municipal population [Recurrent grants / Municipal population]	\$130.59	\$178.36	In 2017 Council received \$3.611 million in prepaid 2018 Victoria Grants Commission Grant funding.
Disadvantage			
Relative socio-economic disadvantage [Index of Relative Socio-economic Disadvantage by decile]	9.00	9.00	

Definitions

"adjusted underlying revenue" means total income other than:

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

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

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

"population" means the resident population estimated by Council

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

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

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

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

Service Performance Indicators

For the year ended 30 June 2017

Service/Indicator/Measure	Result		Material Variations and Comments
	2016	2017	
Animal Management Health and Safety <i>Animal management prosecutions</i> [Number of successful animal management prosecutions]	5	12	Council's enforcement approach under the Domestic Animals Act continues to prosecute defendants that cannot be dealt with by way of direct fines, which is mostly for serious dog attacks.
Aquatic facilities Utilisation <i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	3.67	3.60	
Food safety Health and Safety <i>Critical and major non-compliance outcome notifications</i> [Number of critical non-compliance outcome notifications and major non-compliance outcome notifications about a food premises followed-up / Number of critical non-compliance outcome notifications and major non-compliance outcome notifications about food premises] x100	91.95%	90.50%	
Governance Satisfaction <i>Satisfaction with council decisions</i> [Community satisfaction rating out of 100 with the performance of Council in making decisions in the interest of the community]	62	55	Council had a particularly controversial planning matter regarding one of its activity centres over the previous 12 months. The timing of the satisfaction survey was undertaken in the middle of this process.
Libraries Participation <i>Active library members</i> [Number of active library members / Municipal population] x100	14.01%	13.01%	System capabilities to determine active library members were improved in 2016–17 to identify only those individuals who borrowed either a physical or electronic item. Council has reinstated 2015–16 figures to reflect these changes and to ensure comparative data.
Maternal and Child Health (MCH) Participation <i>Participation in the MCH service</i>	79.07%	80.88%	

Service/Indicator/Measure	Result		Material Variations and Comments
	2016	2017	
<p>[Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100</p> <p>Participation <i>Participation in the MCH service by Aboriginal children</i> [Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100</p>	74.24%	87.30%	Council's Maternal and Child Health services are heavily advertised through General Practitioners and Hospitals within the municipality. This advertising has been effective in increasing the awareness of the service and participation by Aboriginal children in 2016-17.
<p>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]</p>	67	68	
<p>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</p>	44.83%	52.00%	Council continues to have success at VCAT. This figure is a 7% increase on last year's success rate, which may be attributed to approval of the Knox Housing Strategy (Amendment C131 to the Knox Planning Scheme) in 2016.
<p>Waste Collection Waste diversion <i>Kerbside collection waste diverted from landfill</i> [Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100</p>	52.01%	53.41%	

Definitions

'Aboriginal child' means a child who is an Aboriginal person.

'Aboriginal person' has the same meaning as in the *Aboriginal Heritage Act 2006*.

'Active library member' means a member of a library who has borrowed a book from the library.

'Annual report' means an annual report prepared by a council under sections 131, 132 and 133 of the *Local Government Act 1989*.

'CALD' means 'culturally and linguistically diverse' and refers to persons born outside Australia in a country whose national language is not English.

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

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

'Community Care Common Standards' means the Community Care Common Standards for the delivery of HACC services, published from time to time by the Commonwealth.

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

'Food premises' has the same meaning as in the *Food Act 1984*.

'Local road' means a sealed or unsealed road for which the council is the responsible road authority under the *Road Management Act 2004*

'Major non-compliance outcome notification' means a notification received by Council under section 19N(3) or (4) of the *Food Act 1984*, or advice given to Council by an authorised officer under that Act, of a deficiency that does not pose an immediate serious threat to public health but may do so if no remedial action is taken

'MCH' means the Maternal and Child Health Service provided by a council to support the health and development of children within the municipality from birth until school age.

'Population' means the resident population estimated by council

'Target population' has the same meaning as in the Agreement entered into for the purposes of the *Home and Community Care Act 1985* of the Commonwealth.

'WorkSafe reportable aquatic facility safety incident' means an incident relating to a Council aquatic facility that is required to be notified to the Victorian WorkCover Authority under Part 5 of the *Occupational Health and Safety Act 2004*

Financial Performance Indicators

For the year ended 30 June 2017

Dimension/ <i>indicator/measure</i>	Results		Forecasts				Comments*
	2016	2017	2018	2019	2020	2021	
Efficiency							
Revenue level <i>Average residential rate per residential property assessment</i> [Residential rate revenue / Number of residential property assessments]	\$1,290.92	\$1,267.96	1,293.32	\$1,296.45	\$1,322.38	\$1,325.97	
Expenditure level <i>Expenses per property assessment</i> [Total expenses / Number of property assessments]	\$2,232.71	\$2,219.18	\$2,375.00	\$2,348.05	\$2,418.64	\$2,447.43	
Workforce turnover <i>Resignations and terminations compared to average staff</i> [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x 100	11.70%	12.77%	0.00%	0.00%	0.00%	0.00%	

Dimension/ <i>indicator/measure</i>	Results		Forecasts				Comments*
	2016	2017	2018	2019	2020	2021	
Liquidity							
Working capital <i>Current assets compared to current liabilities</i> [Current assets / Current liabilities] x 100	229.86%	235.53%	109.65%	102.81%	92.61%	137.25%	The composition of Council's cash holdings is invested in term deposits with original maturity greater than 90 days which is not reflected in this measure. At 30 June 2017, Council had \$36.8 million in term deposits due to mature within 90 days.
Unrestricted cash <i>Unrestricted cash compared to current liabilities</i> [Unrestricted cash / Current liabilities] x 100	-11.27%	-4.34%	67.58%	58.38%	48.77%	93.04%	
Obligations							
Asset renewal <i>Asset renewal compared to depreciation</i> [Asset renewal expensed / Asset depreciation] x 100	101.74%	112.65%	124.79%	121.71%	130.09%	129.35%	Future years reflect a greater anticipated expenditure in asset renewal.
Loans and borrowings <i>Loans and borrowings compared to rates</i> [Interest bearing loans and borrowings / Rate revenue] x 100	12.99%	0.00%	22.63%	33.90%	41.84%	43.46%	All outstanding loans were settled in August/September 2016. Over the next four year period it is anticipated that Council will use loan borrowings to fund several planned major projects in the municipality.

Dimension/ <i>indicator/measure</i>	Results		Forecasts				Comments*
	2016	2017	2018	2019	2020	2021	
<i>Loans and borrowings repayments compared to rates</i> [Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x 100	2.94%	14.34%	0.64%	2.17%	3.45%	4.45%	All outstanding loans were settled in August/September 2016.
Indebtedness <i>Non-current liabilities compared to own source revenue</i> [Non-current liabilities / Own source revenue] x 100	12.36%	4.62%	24.13%	32.89%	39.75%	34.45%	The percentage of non-current liabilities to own source revenue has reduced due to the settlement of loans in August/September 2016. Over the next four year period there is an increase in the percentage as a result of anticipated borrowings to fund several planned major projects in the municipality.

Dimension/ <i>indicator/measure</i>	Results		Forecasts				Comments*
	2016	2017	2018	2019	2020	2021	
Operating positions							
Adjusted underlying result <i>Adjusted underlying surplus (or deficit)</i> [Adjusted underlying surplus (deficit) / Adjusted underlying revenue] x 100	13.59%	10.31%	-0.91%	2.91%	0.64%	12.96%	The reduction in surplus for the 2016-17 year is mainly due to the sale of land in 2015-16.
Stability							
Rates concentration <i>Rates compared to adjusted underlying revenue</i> [Rate revenue / Adjusted underlying revenue] x 100	61.56%	66.59%	69.85%	68.48%	69.60%	60.71%	Property valuations increasing at a higher rate than rate revenue increase.
Rates effort <i>Rates compared to property values</i> [Rate revenue / Capital improved value of rateable properties in the municipality] x 100	0.30%	0.26%	0.26%	0.23%	0.23%	0.21%	

Definitions

"adjusted underlying revenue" means total income other than:

(a) non-recurrent grants used to fund capital expenditure;

(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.

Certification of the Performance Statement 2016–17

Statement by Principal Accounting Officer

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*.

Dale Monk

Principal Accounting Officer

DATED:

WANTIRNA SOUTH

Statement by Councillors and Chief Executive Officer

In our opinion, the accompanying Performance Statement of Knox City Council for the year ended 30 June 2017 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 Council and by the *Local Government (Planning and Reporting) Regulations 2014* to certify this Performance Statement in its final form.

XXXXXX

Councillor

DATED:

WANTIRNA SOUTH

XXXXXX

Councillor

DATED: 23 August 2016

WANTIRNA SOUTH

Tony Doyle

Chief Executive Officer

DATED:

WANTIRNA SOUTH