



ORDINARY COUNCIL MEETING

2 SEPTEMBER 2019

ADDENDUM



BUSINESS

15. REPORTS NOT YET SUBMITTED

15.1 Consolidated Financial Report and Performance Statement for
the year ended 30 June 2019.....2

Phil Cantillon

CHIEF EXECUTIVE OFFICER

30/08/2019



Executive Summary**15.1 Consolidated Financial Report and Performance Statement for the year ended 30 June 2019**

Enquiries: (Kim Jaensch: Corporate Development)

Council Plan

Community Outcome:	4. A Well Managed City
Strategy:	4.3 Resources
Priority Action	4.3.1 Continue to maintain a financially sustainable Council by advocating for operational grant funding from other tiers of Government to deliver services required by the community, ensure funding decisions are based on Council's priorities, seek alternative revenue sources and ensure the operations of Frankston Regional Recycling and Recovery Centre are financially sustainable

Purpose

To approve, in principle, the Consolidated Financial Report and the Performance Statement for the financial year ended 30 June 2019, following which they will then be submitted to Council's external auditor, the Victorian Auditor-General.

Recommendation (Director Corporate Development)

That:

1. Council approves adoption, in principle, of the draft Financial Report and Performance Statement for the year ended 30 June 2019;
2. The Mayor and Councillor McCormack (as Council nominated Audit and Risk Committee members) be authorised to certify the Consolidated Financial Report after agreement with Council's external auditors as to any changes that may need to be made and as considered appropriate;
3. The Mayor and Councillor McCormack (as Council nominated Audit and Risk Committee members) be authorised to certify the Performance Statement after agreement with Council's external auditors as to any changes that may need to be made and as considered appropriate.

Key Points / Issues

- The Auditor-General's Office is finalising its review of the Consolidated Financial Report and Performance Statement and all supporting information.
- The Audit and Risk Committee (ARC) met on Friday, 30 August 2019 to consider and review the 2018-2019 Annual Consolidated Financial Report and Performance Statement. The ARC recommended that Council receive and approve in principle the Draft Unaudited Consolidated Annual Financial Report and Performance Statement. The ARC also recommends to Council that the Principal Accounting Officer be authorised to make non-material changes and material amendments as determined by the Auditor-General. The ARC must be consulted prior to any material amendments and such amendments are to be communicated to Council as soon as practical.
- Agents of the Auditor-General were at the Audit and Risk Committee meeting to discuss the consolidated financial report and performance statement.

15.1 Consolidated Financial Report and Performance Statement for the year ended 30 June 2019**Executive Summary**

- The Audit and Risk Committee has recommended that the draft Consolidated Financial Report for the year 1 July 2018 to 30 June 2019 be adopted in principle, subject to the minor amendments discussed at the meeting.
- The Consolidated Financial Report and Performance Statement, once agreed to by Council and the Auditor-General, form part of the annual report to be presented to the Minister. The annual report, once finalised, will be advertised and will be brought back to Council for noting.
- Copies of the draft Consolidated Financial Report (Attachment A) and Performance Statement are attached (Attachment B). The Auditor-General has indicated that the consolidated financial report and performance statement will be signed unconditionally and without qualification.

Draft 2018-2019 Financial Statement highlights:

- The net operational surplus as presented in the Comprehensive Income Statement is \$15.700m (\$30.727m in 2017-2018).
- The “underlying” surplus – which is the operating result adjusted for transactions which are either ‘non-recurring’ or not operational in nature is \$8.049m (Budget was \$12.779m surplus).
- Some of the key variations between the 2018-2019 financial year and the prior year are:
 - Interest income has increased due to Council having greater cash holdings due to a delay in spending the capital works program to the latter half of the year and receiving grants funding earlier than anticipated;
 - User fees and charges has increased as a result of higher attendances at Peninsula Aquatic Recreation Centre (PARC);
 - Materials and services have increased due to the increase costs associated with waste collection;
 - Depreciation expenses has increased due to the delivery of a large capital works projects and an increase to the asset base through asset revaluations; and
 - \$50.718 capital works program delivered against a budgeted \$50.856m.
- Council’s debt ratios remain significantly below prudential guidelines and repayment costs have been factored into Council’s Annual Budget and Long Term Financial Plan.

Changes in Accounting Policies

Council’s 2018-2019 financial statements have been prepared in accordance with the Local Government Model Financial Report including a statement of capital works and the 2018-2019 performance statement was prepared in accordance with the Local Government Better Practice Guide 2018-2019, along with other information required by the *Local Government (Planning and Reporting) Regulations 2014*.

Draft unaudited 2018-2019 Performance Statement highlights:

- Results from the Community Satisfaction Survey indicates improved community satisfaction with Council decisions with an index score of 55, 3 points higher than the previous year. Satisfaction with roads also increased and was 10 points higher than the state wide average with an index score of 66.

15.1 Consolidated Financial Report and Performance Statement for the year ended 30 June 2019**Executive Summary**

- An increase in kerbside garden waste service uptake and initiatives such as Garage Sale Trail contributed to a one per cent increase of diversion of waste from landfill to 54 per cent.
- Participation in Maternal and Child Health service by Aboriginal children increased by 11 percent with 87 per cent participation due to better identification of Out of Home care children.

Council oversight of subsidiary:

During the 2018-2019 financial year Council has overseen the governance of its subsidiary Peninsula Leisure Pty Ltd. This has been facilitated through the following forums:

- Regular briefings with the Chief Executive Office, Mayor and Chair of the Board at Peninsula Leisure Pty Ltd;
- Quarterly financial and activity reports have been provided to Councillors; and
- Councillors have received copies of the Strategic Plan for Peninsula Leisure Pty Ltd. The Plan includes a Strategic Framework that identifies eight critical success factors aligned to the Centre's Vision, Mission and Values. The implementation of strategies outlined within this Plan are designed to ensure that the Centre becomes the Peninsula's premier aquatic, fitness and fun PARC and to achieve financial sustainability by June 2019.

Financial Impact

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

The Consolidated Financial Statements indicate the financial performance for the year and the financial position of Council as at 30 June 2010. The Income Statement shows a \$15.700m surplus for the 2018-2019 financial year. This is a \$15.027m decrease from the previous year.

The underlying operating surplus of \$8.049m is a reflection of the Council direction to reach a position of financial sustainability in the medium to long-term. The 2019-2020 Annual Budget is expected to produce an underlying surplus of \$11.181m.

The Balance Sheet reflects a strong position.

Consultation

This report does not require community consultation. The audited Consolidated Financial Report and Performance Statement will be made available as a public document via the Annual Report for 2018-2019 following the Auditor-General's approval.

These Statements are a report back to the community on Council's performance against Council's 2018-2019 Annual Budget and Council's performance against measures and targets for Key Strategic Objectives specified in the 2018-2019 Annual Budget, both of which were adopted after a statutory community consultation period of 28 days.

15.1 Consolidated Financial Report and Performance Statement for the year ended 30 June 2019**Executive Summary****Analysis (Environmental / Economic / Social Implications)**

There are no direct environmental, economic or social implications arising from this report.

Legal / Policy / Council Plan ImpactCharter of Human Rights and Responsibilities

The Charter of Human Rights and Responsibilities has been considered in the preparation of this report but is not relevant to the content of the report.

Legal

The Local Government Act 1989 (the Act) requires that Council give approval in principle to the submission of the Financial Report and the Performance Statement to the external auditor.

Policy Impacts

Not applicable

Officer's Declaration of Interests

Council officers involved in the preparation of this report have no Conflict of Interest in this matter.

Risk Mitigation

The Consolidated Financial Report and Performance Statement have been audited by Council's external auditors (Victorian Auditor-General's Office).

The Audit and Risk Committee met on 30 August with the VAGO agents Crowe Horwath to review these statements. The Audit and Risk Committee has recommended that the draft Consolidated Financial Report and Performance Statement for the year 1 July 2018 to 30 June 2019 be adopted in principle, subject to the minor amendments discussed at the meeting.

Conclusion

The draft unaudited 2018-2019 Consolidated Financial Report and Performance Statement reflect an improvement in Council's financial position. The results represent an important step towards Council achieving a greater degree of financial sustainability by addressing our infrastructure challenges, and the delivery of important community projects and services.

ATTACHMENTS

Attachment A:[↓](#) Draft Consolidated Financial Report 2018-2019

Attachment B:[↓](#) Draft Performance Statement 2018-2019

Draft Frankston City Council Consolidated Financial Report

For the year ended 30 June 2019

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Certification of 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.

Kim Jaensch CPA MBA
PRINCIPAL ACCOUNTING OFFICER
2 September 2019
30 Davey Street, Frankston Victoria, Australia

In our opinion the accompanying Financial Statements present fairly the financial transactions of Frankston City Council for the year ended 30 June 2019 and the financial position of Council as of 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 Council on 2 September 2019 and by the *Local Government (Planning and Reporting) Regulations 2014* to certify the Financial Statements in their final form.

Cr. Michael O'Reilly
MAYOR
2 September 2019
30 Davey Street, Frankston Victoria, Australia

Cr. Quinn McCormack
COUNCILLOR
2 September 2019
30 Davey Street, Frankston Victoria, Australia

Phil Cantillon
ACTING CHIEF EXECUTIVE OFFICER
2 September 2019
30 Davey Street, Frankston Victoria, Australia

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2018-2019 Financial Report

Comprehensive Income Statement

For the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Income			
Rates and charges	3.1	122,410	117,044
Statutory fees and fines	3.2	6,170	5,842
User fees	3.3	25,399	22,259
Grants - operating	3.4	19,066	20,237
Grants - capital	3.4	4,704	3,212
Contributions - monetary	3.5	1,906	3,695
Contributions - non monetary	3.5	2,778	3,607
Net gain on disposal of property, plant and equipment	3.6	-	1,923
Other income	3.7	5,797	6,125
Total income		188,230	183,944
Expenses			
Employee costs	4.1	72,501	68,660
Materials and services	4.2	57,510	49,127
Depreciation and amortisation	4.3	32,549	28,730
Bad and doubtful debts	4.4	374	224
Borrowings costs	4.5	1,576	1,869
Other expenses	4.6	5,819	4,607
Net loss on disposal of property, plant and equipment	3.6	2,201	-
Total expenses		172,530	153,217
Surplus for the year		15,700	30,727
Other comprehensive income			
Net asset revaluation increment/(decrement)	6.1	(25,399)	277,030
Total comprehensive result		(9,699)	307,757

The above Comprehensive Income Statement should be read in conjunction with the accompanying notes.

2018-2019 Financial Report

Balance Sheet

As at 30 June 2019

	Note	2019 \$'000	2018 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1	49,739	53,715
Other financial assets	5.1	47,678	52,249
Trade and other receivables	5.1	16,247	15,795
Inventories	5.2	158	186
Other assets	5.2	3,086	2,224
Total current assets		116,908	124,169
Non-current assets			
Trade and other receivables	5.1	-	31
Other financial assets	5.1	4,500	5,500
Property, infrastructure, plant and equipment	6.1	1,673,951	1,682,437
Intangible assets	5.2	1,446	1,871
Total non-current assets		1,679,897	1,689,839
Total assets		1,796,805	1,814,008
Liabilities			
Current liabilities			
Trade and other payables	5.3	19,658	18,190
Trust funds and deposits	5.3	6,880	12,622
Provisions	5.5	12,217	11,298
Interest-bearing liabilities	5.4	320	7,023
Total current liabilities		39,075	49,133
Non-current liabilities			
Provisions	5.5	1,595	1,725
Interest-bearing liabilities	5.4	27,748	28,068
Total non-current liabilities		29,343	29,793
Total liabilities		68,418	78,926
Net assets		1,728,387	1,735,082
Equity			
Accumulated surplus		707,742	689,811
Reserves	9.1	1,020,645	1,045,271
Total equity		1,728,387	1,735,082

The above Balance Sheet should be read in conjunction with the accompanying notes.

2018-2019 Financial Report

Statement of Changes in Equity

For the year ended 30 June 2019

2019	Total	Accumulated	Revaluation	Other
	2019	2019	2019	2019
Note	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2018	1,735,082	689,811	970,833	74,438
Surplus for the year	15,700	15,700	-	-
Prior year adjustment - found assets	3,004	3,004	-	-
Net asset revaluation decrement	9.1(a) (25,399)	-	(25,399)	-
Transfers to other reserves	9.1(b) -	(19,795)	-	19,795
Transfers from other reserves	9.1(b) -	19,022	-	(19,022)
Balance at end of the financial year	1,728,387	707,742	945,434	75,211
2018	Total	Accumulated	Asset	Other
	2018	Surplus	Revaluation	Reserves
Note	\$'000	2018	2018	2018
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2017	1,399,569	650,723	693,803	55,043
Prior year adjustment - found assets	27,756	27,756	-	-
Revised balance at 1 July 2017	1,427,325	678,479	693,803	55,043
Surplus for the year	30,727	30,727	-	-
Net asset revaluation increment	9.1(a) 277,030	-	277,030	-
Transfers to other reserves	9.1(b) -	(26,575)	-	26,575
Transfers from other reserves	9.1(b) -	7,180	-	(7,180)
Balance at end of the financial year	1,735,082	689,811	970,833	74,438

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

2018-2019 Financial Report

Statement of Cash Flows

For the year ended 30 June 2019

	Note	2019 Inflows/ (Outflows) \$'000	2018 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Receipts			
Rates and charges		120,859	115,928
Statutory fees and fines		5,163	5,217
User fees		25,044	22,864
Grants - operating		19,036	20,423
Grants - capital		4,704	3,012
Contributions - monetary		1,906	3,695
Interest received		3,019	2,493
Trust funds and deposits taken		14,806	13,975
Other receipts		3,367	3,987
Net GST refund		(2,694)	(2,811)
		<u>195,210</u>	<u>188,783</u>
Payments			
Employee costs		(71,177)	(69,823)
Materials and services		(56,854)	(42,200)
Other payments		(3,593)	(3,122)
Trust funds and deposits repaid		(16,852)	(8,270)
		<u>(148,476)</u>	<u>(123,415)</u>
Net cash provided by/(used in) operating activities	9.2	<u>46,734</u>	<u>65,368</u>
Cash flows from investing activities			
Payments for property, infrastructure, intangibles, plant and equipment		(48,429)	(44,743)
Proceeds from sale of property, plant and equipment	3.6	747	2,601
Payments for investments		5,571	(22,192)
Net cash provided by/(used in) investing activities		<u>(42,111)</u>	<u>(64,334)</u>
Cash flows from financing activities			
Finance costs		(1,576)	(1,874)
Repayment of borrowings		(7,023)	(773)
Net cash provided by/(used in) financing activities		<u>(8,599)</u>	<u>(2,647)</u>
Net (decrease)/increase in cash and cash equivalents		(3,976)	(1,613)
Cash and cash equivalents at the beginning of the financial year		53,715	55,328
Cash and cash equivalents at the end of the financial year	5.1	<u>49,739</u>	<u>53,715</u>
Financing arrangements	5.7		
Restrictions on cash assets	5.1		

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

2018-2019 Financial Report

Statement of Capital Works

For the year ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Property			
Land		300	867
Total land		300	867
Buildings		13,761	14,457
Building improvements		28	32
Total buildings		13,789	14,489
Total property		14,089	15,356
Plant and equipment			
Plant, machinery and equipment		2,204	2,477
Fixtures, fittings and furniture		418	768
Computers and telecommunications		850	831
Library books		654	510
Total plant and equipment		4,126	4,586
Infrastructure			
Roads		9,164	5,618
Bridges		827	1,115
Footpaths and cycleways		3,188	2,522
Drainage		770	1,202
Recreational, leisure and community facilities		10,977	5,852
Waste management		102	-
Parks, open space and streetscapes		4,524	4,647
Off street car parks		2,281	2,176
Other infrastructure		670	1,158
Total infrastructure		32,503	24,290
Total capital works expenditure		50,718	44,232
Represented by:			
New asset expenditure		16,335	10,597
Asset renewal expenditure		25,373	25,490
Asset expansion expenditure		856	436
Asset upgrade expenditure		8,154	7,709
Total capital works expenditure		50,718	44,232

The above Statement of Capital Works should be read in conjunction with the accompanying notes.

Notes to the Financial Statements For the year ended 30 June 2019

OVERVIEW

Introduction

Frankston City Council was established by an Order of the Governor in Council on 15 December 1994 and is a body corporate. The Council's main office is located at 30 Davey Street, Frankston, 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 (AASB), the *Local Government Act 1989*, and the *Local Government (Planning and Reporting) Regulations 2014*.

Significant accounting policies

(a) Basis of accounting

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to note 6.1)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to note 6.1)
- the determination of employee provisions (refer to note 5.5)
- other areas requiring judgments

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.

The Frankston Cemetery Trust has been specifically excluded from this report by virtue of the *Cemeteries Trust Act (1958)*.

Notes to the Financial Statements

For the year ended 30 June 2019

Note 1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its Annual Budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of 10 per cent 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 12 June 2018. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The Budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

1.1 Income and Expenditure

	Budget	Actual	Variance	Variance	
	2019	2019	2019		
	\$'000	\$'000	\$'000	%	Ref.
Income					
Rates and charges	121,455	122,410	955	1%	
Statutory fees and fines	5,867	6,170	303	5%	
User fees	25,021	25,399	378	2%	
Grants - operating	18,190	19,066	876	5%	
Grants - capital	4,495	4,704	209	5%	
Contributions - monetary	3,425	1,906	(1,519)	(44%)	1.
Contributions - non-monetary	800	2,778	1,978	247%	2.
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	715	(2,201)	(2,916)	(408%)	3.
Other income	3,710	5,797	2,087	56%	4.
Total income	183,678	186,029	2,351	1.28%	
Expenses					
Employee costs	72,284	72,501	(217)	(0%)	
Materials and services	53,848	57,510	(3,662)	(7%)	
Bad and doubtful debts	305	374	(69)	(23%)	5.
Depreciation and amortisation	31,591	32,549	(958)	(3%)	
Borrowing costs	1,573	1,576	(3)	(0%)	
Other expenses	3,466	5,819	(2,353)	(68%)	6.
Total expenses	163,067	170,329	(7,262)	(4.45%)	
Surplus/(deficit) for the year	20,611	15,700	(4,911)	(23.83%)	

Notes to the Financial Statements For the year ended 30 June 2019

Note 1. Performance against budget (cont.)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Contributions - monetary	Contributions - monetary had an unfavourable actual to budget variance of \$1.519 million mainly due to income of \$0.500 million not being received for the fit out of the Frankston Yacht Club Building and \$1.675 million due to the delay of special charge scheme Newton Ave and Weerona Road.
2	Contributions - non-monetary	Contributions - non-monetary had a favourable actual to budget variance of \$1.978 million as a result of an increase in gifted land, roads and drainage received relating to subdivisions within the municipality.
3	Net gain/(loss) on disposal of property, infrastructure, plant and equipment	Net loss on disposal of property, infrastructure, intangibles, plant and equipment has an unfavourable actual to budget variance of \$2.916 million mainly due to land that was previously sold in 2017-2018, however a correcting adjustment was made in 2018-2019 to accurately show the disposal.
4	Other income	Other income had a favourable actual to budget variance of \$2.087 million mainly due to interest received on investments exceeding budget by \$1.700 million. The adopted budget was a conservative estimate initially made and higher than expected cash levels were held earlier in the year when interest rates were higher. In addition, the variance was due to \$0.546 million being received for insurance claims in relation to damage to the pool in October 2017 at Peninsula Aquatic Recreation Centre (PARC).
5.	Bad and doubtful debts	Bad and Doubtful Debts had an unfavourable actual to budget variance of \$0.069 million mainly due to an increase in debtor totals for outstanding infringements, primarily parking infringements. Infringement payments have been effected by delays in receiving payments from the respective courts.
6.	Other expenses	Other expenses has an unfavourable actual to budget variance mainly due to \$2.225 million variance in carrying costs of assets due to the assets that have been written-off or impairment during the year.

Notes to the Financial Statements

For the year ended 30 June 2019

Note 1. Performance against budget (cont.)

1.2 Capital Works

	Budget	Actual	Variance	Variance	
	2019	2019	2019		
	\$'000	\$'000	\$'000	%	Ref.
Property					
Land	-	300	300	100.00%	1.
Total Land	-	300	300	100.00%	
Buildings	13,261	13,761	500	3.77%	
Building improvements	-	28	28	100.00%	2.
Total Buildings	13,261	13,789	528	103.77%	
Total Property	13,261	14,089	828	203.77%	
Plant and equipment					
Plant, machinery and equipment	2,215	2,204	(11)	-0.50%	
Fixtures, fittings and furniture	50	418	368	736.00%	3.
Computers and telecommunications	2,030	850	(1,180)	-58.13%	4.
Library books	700	654	(46)	-6.57%	
Total plant and equipment	4,995	4,126	(869)	-17.40%	
Infrastructure					
Roads	8,740	9,164	424	4.85%	
Bridges	570	827	257	45.09%	5.
Footpaths and cycleways	3,205	3,188	(17)	-0.53%	
Drainage	1,060	770	(290)	-27.36%	6.
Recreational, leisure and community facilities	13,305	10,977	(2,328)	-17.50%	7.
Waste management	100	102	2	2.00%	
Parks, open space and streetscapes	4,170	4,524	354	8.49%	
Off street car parks	570	2,281	1,711	300.18%	8.
Other infrastructure	880	670	(210)	-100.00%	9.
Total infrastructure	32,600	32,503	(97)	-0.30%	
Total capital works expenditure	50,856	50,718	(138)	-0.27%	
Represented by:					
New asset expenditure	16,655	16,335	(320)	-1.92%	
Asset renewal expenditure	25,308	25,373	65	0.26%	
Asset expansion expenditure	3,117	856	(2,261)	-100.00%	
Asset upgrade expenditure	5,776	8,154	2,378	41.17%	
Total capital works expenditure	50,856	50,718	(138)	-0.27%	

Notes to the Financial Statements For the year ended 30 June 2019

Note 1. Performance against budget (cont.)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1.	Land	Costs associated with the purchase of 16 Cranbourne Road.
2.	Building improvements	New projects were introduced throughout the year.
3.	Fixtures, fittings and furniture	Fixtures, fittings and furniture overspend of \$0.368 million is due to bringing forward expenditure for equipment renewal in the Frankston Arts Centre.
4.	Computers and telecommunications	Computers and telecommunications was underspent by \$1.180 million due to delays in delivery of multi-year projects with \$0.869 million being carried forward to 2019-2020 financial year.
5.	Bridges	Bridges overspent by \$0.257 million due to the scope of the Landmark Bridge project increasing to cater for additional protective coating required.
6.	Drainage	Drainage was underspent by \$0.290 million due to a change in scope for pipe works at Williams Street.
7.	Recreational, leisure and community facilities	Recreational, leisure and community facilities were \$2.328 million primarily due to Belvedere Reserve works being completed earlier than expected in the previous financial year, installation of Frankston Park Oval lighting being delayed until the 2019-2020 financial year and works associated with the Frankston BMX Track now being moved to future years.
8.	Off street car parks	Off street carparks were overspent by \$1.711 million due to completion of works that were carried forward from previous years. These projects included the construction of car parks at McClelland Reserve and Lawton Park.
9.	Other infrastructure	Other infrastructure was \$0.210 million underspent due to local area traffic management works in the Woodlands Precinct delayed until the 2019-2020 year.

Notes to the Financial Statements

For the year ended 30 June 2019

Note 2 Analysis of Council results by program

Council delivers its functions and activities through the following programs:

Chief Executive Officer (CEO) and Council

The CEO has responsibility for the day to day management of Council's operations in accordance with the strategic direction of the Council Plan 2017-2021.

Community Assets

Deliver innovative and sustainable outcomes for the community.

The directorate includes Capital Works Delivery, Buildings and Facilities, Sustainable Assets and Engineering Services.

Community Development

Build community health and wellbeing through operational service delivery to an agreed standard, balancing best value and risk minimisation to the community, staff and the overall organisation.

The directorate includes Arts and Culture, Community Strengthening, Operations, Planning and Environment, Community Safety and Family Health Support Services.

Corporate Development

Build robust services and strong partnerships with the community to deliver services to improve the community's lifestyle.

The directorate includes Governance and Information, Business Information and Technology, Commercial Services, Community Relations, Recycling, Financial and Corporate Planning and Human Resources.

Other

The items in Other are not directly attributable to the Directorates and includes overheads and grants.

2.1 Summary of revenues, expenses, assets and capital expenses by program

2019	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Net assets
	\$'000	\$'000	\$'000	\$'000	\$'000
CEO and Council	32	1,831	(1,799)	690	1
Community Assets	408	20,270	(19,862)	264	116,196
Community Development	25,000	96,049	(71,049)	9,760	1,495,713
Corporate Development	131,233	33,396	97,837	3	96,060
Other	19,109	8,816	10,293	13,053	85,120
Peninsula Leisure	12,448	12,168	280	-	3,715
	188,230	172,530	15,700	23,770	1,796,805

2018	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Net assets
	\$'000	\$'000	\$'000	\$'000	\$'000
CEO and Council	363	2,162	(1,799)	1,403	1
Community Assets	534	16,874	(16,340)	1	115,114
Community Development	24,623	90,254	(65,631)	10,424	1,505,293
Corporate Development	125,165	29,024	96,141	157	103,407
Other	22,490	3,772	18,718	11,464	86,999
Peninsula Leisure	10,769	11,131	(362)	-	3,194
	183,944	153,217	30,727	23,449	1,814,008

Notes to the Financial Statements For the year ended 30 June 2019

Note 3 Funding for the delivery of our services

	2019	2018
	\$'000	\$'000

3.1 Rates and charges

Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The Capital Improved Value of a property is its site value inclusive of land, buildings and other improvements.

The valuation base used to calculate general rates for 2018-2019 was \$38,770 million (2017-2018 \$27,920 million).

The 2018-2019 rate in the capital improved value dollar was 0.2165 (2017-2018 0.2930). The municipal charge is levied at the rate of \$159.10 (2017-2018 \$155.60) per rateable property.

General rates	85,245	83,260
Waste management charge	24,871	22,679
Municipal charge	9,848	9,596
Supplementary rates and rate adjustments	1,636	928
Special rates and charges	218	-
Interest on rates and charges	592	581
Total rates and charges	122,410	117,044

The date of the latest general revaluation of land for rating purposes within the municipality was 1 January 2018 and the valuation was applied to the rating period commencing 1 July 2018.

Valuations were prepared by registered valuers Patel Dore Pty Ltd under contract to Council.

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

3.2 Statutory fees and fines

Infringements and costs	2,507	2,529
Permits	1,797	1,626
Building and town planning fees	1,766	1,497
Land information certificates	88	139
Court recoveries	12	51
Total statutory fees and fines	6,170	5,842

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

3.3 User fees

Recreation and leisure	12,591	10,874
Arts and culture	3,554	2,923
Waste management	3,807	3,215
Parking	1,592	1,955
Other fees and charges	1,036	599
Aged and health services	875	922
Registrations and other permits	653	646
Building services	544	297
Legal cost recovery - rates	432	419
Child care/children's programs	315	409
Total user fees	25,399	22,259

User fees are recognised as revenue when the service has been provided or Council has otherwise earned the income.

Notes to the Financial Statements For the year ended 30 June 2019

	2019 \$'000	2018 \$'000
3.4 Funding from other levels of government		
Grants were received in respect of the following:		
Summary of grants		
Commonwealth funded grants	14,063	15,769
State funded grants	9,707	7,680
Total grants received	23,770	23,449
(a) Operating grants		
Recurrent - Commonwealth Government		
Financial Assistance Grants	7,990	8,879
Aged and community care	4,228	4,318
Family, children and youth services	629	564
Maternal and child health	15	17
Recurrent Commonwealth grants	12,862	13,778
Recurrent - State Government		
Maternal and child health	1,832	1,658
Aged and community care	1,191	1,337
Libraries	882	875
Community development	464	392
School crossing supervisors	451	770
Family, children and youth services	148	148
Recreation	75	49
Community safety	40	40
Recurrent State grants	5,083	5,269
Total recurrent operating grants	17,945	19,047
Non-recurrent - Commonwealth Government		
Maternal and child health	61	38
Non-recurrent Commonwealth grants	61	38
Non-recurrent - State Government		
Community development	364	203
Environment	200	158
Maternal and child health	188	384
Family, children and youth services	172	138
Community arts	70	110
Community safety	46	128
Recreation	10	31
Aged and community care	10	-
Non-recurrent State grants	1,060	1,152
Total non-recurrent operating grants	1,121	1,190
Total operating grants	19,066	20,237

Notes to the Financial Statements For the year ended 30 June 2019

	2019 \$'000	2018 \$'000
3.4 Funding from other levels of government (cont.)		
(b) Capital grants		
<i>Recurrent - Commonwealth Government</i>		
Roads to recovery	161	1,356
Recurrent Commonwealth grants	161	1,356
<i>Non-recurrent - Commonwealth Government</i>		
Recreational, leisure and community facilities	457	47
Buildings	432	163
Plant and equipment	90	87
Fixtures, fittings and furniture	-	300
Non-recurrent Commonwealth grants	979	597
<i>Non-recurrent - State Government</i>		
Recreational, leisure and community facilities	2,804	489
Buildings	363	543
Parks, open space and streetscapes	324	10
Roads	48	10
Drainage	25	-
Fixtures, fittings and furniture	-	207
Non-recurrent State grants	3,564	1,259
Total non-recurrent capital grants	4,543	1,856
Total capital grants	4,704	3,212
(c) Unspent grants received on condition that they be spent in a specific manner		
Balance at start of year	12,347	10,217
Received during the financial year and remained unspent at balance date	8,563	5,819
Received in prior years and spent during the financial year	(6,770)	(3,689)
Balance at year end	14,140	12,347

Grant income is recognised when Council obtains control of the contribution. Control is normally obtained upon receipt (or acquittal) or upon earlier notification that a grant has been secured.

3.5 Contributions

Non-monetary	2,778	3,607
Monetary	1,906	3,695
Total contributions	4,684	7,302
<i>Contributions of non-monetary assets were received in relation to the following asset classes</i>		
Roads	813	763
Footpath and cycleways	624	-
Land under roads	472	-
Drainage	439	810
Land	283	2,026
Other	147	8
Total non-monetary contributions	2,778	3,607

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

Notes to the Financial Statements For the year ended 30 June 2019

	2019 \$'000	2018 \$'000
3.6 Net gain/(loss) on disposal of property, plant and equipment		
Proceeds from sale	747	2,601
Written down value of assets disposed	(2,948)	(678)
Total net gain/(loss) on disposal of property, plant and equipment	(2,201)	1,923
The profit or loss on sale of an asset is determined when control of the asset has passed to the buyer.		
3.7 Other income		
Interest	2,430	2,138
Sales	1,698	1,407
Other rent	1,077	933
Other	358	1,162
Reimbursements	234	485
Total other income	5,797	6,125

Interest is recognised as it is earned.

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

Notes to the Financial Statements For the year ended 30 June 2019

Note 4 The cost of delivering services

	2019 \$'000	2018 \$'000
4.1 Employee costs		
(a) Employee costs		
Salaries and wages	57,520	54,143
Casual and agency staff	6,745	7,457
Superannuation	5,826	5,549
Workcover	2,100	1,216
Fringe benefits tax	155	167
Other	155	128
Total employee costs	72,501	68,660
(b) Superannuation		
Council made contributions to the following funds:		
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	216	277
	216	277
Employer contributions payable at reporting date	-	-
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	5,777	5,272
	5,777	5,272
Employer contributions payable at reporting date	479	455
Refer to note 9.3 for further information relating to Council's superannuation obligations.		
4.2 Materials and services		
Waste collection and disposal services	17,027	14,899
Contract services	12,412	11,587
Materials	5,668	5,012
Building maintenance	4,590	3,571
Utilities	3,992	3,560
Information technology	2,705	2,188
Plant and equipment	2,248	1,832
Consultants	2,188	1,545
General maintenance	1,798	559
Insurance and fire services levy	1,176	986
Finance and legal	1,145	858
Office administration	1,133	1,193
Cost of goods sold	732	617
Marketing and promotion	696	720
Total materials and services	57,510	49,127

Notes to the Financial Statements For the year ended 30 June 2019

	2019 \$'000	2018 \$'000
4.3 Depreciation and amortisation		
Infrastructure	20,768	18,638
Property	7,274	5,076
Plant and equipment	3,486	4,117
Total depreciation	<u>31,528</u>	<u>27,831</u>
Intangible assets	1,021	899
Total depreciation and amortisation	<u>32,549</u>	<u>28,730</u>
Please refer to note 5.2(c) and note 6.1 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.		
4.4 Bad and doubtful debts		
Parking fine debtors	293	168
Other debtors	81	56
Total bad and doubtful debts	<u>374</u>	<u>224</u>
4.5 Borrowing costs		
Interest - borrowings	1,576	1,869
Total borrowing costs	<u>1,576</u>	<u>1,869</u>
4.6 Other expenses		
Assets written-off / impaired	2,226	1,484
Training and professional development	879	597
Grants and contributions	751	795
Operating lease rentals	725	510
Councillors' allowances and expenses	375	367
Court lodgement fees	357	352
Director and committee member fees	188	213
Auditor remuneration - Internal	134	104
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	107	101
Board costs	76	84
Legal settlement	1	-
Total other expenses	<u>5,819</u>	<u>4,607</u>

Notes to the Financial Statements For the year ended 30 June 2019

Note 5 Our Financial Position

	2019 \$'000	2018 \$'000
5.1 Financial assets		
(a) Cash and cash equivalents		
Cash on hand	21	21
Cash at bank	1,972	1,605
Term deposits	47,746	52,089
Total cash and cash equivalents	49,739	53,715
(b) Other financial assets		
Term deposits - current	47,678	52,249
Term deposits - non-current	4,500	5,500
Total other financial assets	52,178	57,749
Total financial assets	101,917	111,464
Council's cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:		
- Trust funds and deposits (note 5.3)	6,880	12,622
Total restricted funds	6,880	12,622
Total unrestricted cash and cash equivalents	42,859	41,093
Intended allocations		
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:		
- Strategic asset reserve (note 9.1b)	29,606	25,988
- Unexpended grants (note 9.1b)	14,140	12,347
- MAV LGFV Fund (note 9.1b)	9,737	15,542
- PARC asset management sinking fund (note 9.1b)	9,087	6,000
- Statutory reserves (note 9.1b)	6,496	5,684
- Cash held to fund carried forward capital works	4,969	8,004
- Capital project reserve (note 9.1b)	4,623	7,313
- PARC asset management plan reserve (note 9.1b)	1,171	1,025
- PARC strategic reserve (note 9.1b)	300	495
- Resource efficiency reserve (note 9.1b)	51	44
Total funds subject to intended allocations	80,180	82,442

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

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

Notes to the Financial Statements For the year ended 30 June 2019

	2019	2018
	\$'000	\$'000

5.1 Financial assets (cont.)

(c) Trade and other receivables

Current

Statutory receivables

Rates debtors	9,759	9,571
Infringement debtors	4,708	3,702
Provision for doubtful debts - infringements	(2,426)	(2,050)
Net GST receivable	2,391	1,949
Special rate scheme	115	146

Non statutory receivables

Other debtors	1,797	2,581
Provision for doubtful debts - other debtors	(97)	(104)

Total current trade and other receivables	16,247	15,795
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Non-current

Statutory receivables

Special rate scheme	-	31
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Total non-current trade and other receivables	-	31
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Short term receivables are carried at invoice amount. A provision for doubtful debts is recognised when there is objective evidence that an impairment has occurred. Long term receivables are carried at amortised cost.

(d) Ageing of receivables

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

Current (not yet due)	1,426	946
Past due by up to 30 days	60	1,235
Past due between 31 and 180 days	311	400
Total trade and other receivables	1,797	2,581

5.2 Non-financial assets

(a) Inventories

Inventories held for distribution	103	112
Inventories held for sale	55	74
Total inventories	158	186

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

(b) Other assets

Prepayments	1,498	1,301
Accrual Income	1,508	918
Other	80	5
Total other assets	3,086	2,224

Notes to the Financial Statements For the year ended 30 June 2019

	2019 \$'000	2018 \$'000
5.2 Non-financial assets (cont.)		
(c) Intangible assets		
Software		
At cost	6,066	5,470
Less accumulated amortisation	(4,620)	(3,599)
	1,446	1,871
Gross carrying amount		
Balance at 1 July	5,470	5,168
Acquisitions	596	302
Balance at 30 June	6,066	5,470
Accumulated amortisation and impairment		
Balance at 1 July	3,599	2,700
Amortisation expense	1,021	899
Balance at 30 June	4,620	3,599
Net book value 30 June	1,446	1,871

Intangible assets with finite lives are amortised as an expense on a systematic basis over the asset's useful life. Amortisation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and amortisation method are reviewed at least annually, and adjustments made where appropriate.

5.3 Payables

(a) Trade and other payables

Trade payables	17,219	16,338
Accruals and provisions	2,439	1,852
Total trade and other payables	19,658	18,190

(b) Trust funds and deposits

Refundable deposits and bonds	2,875	3,315
Prepaid income	2,435	2,441
Fire Services Levy	1,088	6,423
Trust deposits	371	332
Unclaimed moneys	111	111
Total trust funds and deposits	6,880	12,622

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

Purpose and nature of items

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

Fire Services Levy - Council is the collection agent for the Fire Services Levy on behalf of the Victorian Government. Council remits amounts received on a quarterly basis. Amounts disclosed here will be remitted to the Victorian Government in line with that process.

Notes to the Financial Statements For the year ended 30 June 2019

	2019 \$'000	2018 \$'000
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5.4 Interest-bearing liabilities

Current

Borrowings - secured *	320	7,023
Total current	320	7,023

Non-current

Borrowings - secured	27,748	28,068
Total non-current	27,748	28,068
Total interest-bearing liabilities	28,068	35,091

Borrowings are secured over the general rate of Council as per section 141 of the *Local Government Act 1989*.

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

Not later than one year *	320	7,023
Later than one year and not later than five years	1,533	1,426
Later than five years	26,215	26,642
	28,068	35,091

* Council had a loan maturing in September 2018 of \$6.635 million.

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 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. Council determines the classification of its interest bearing liabilities at initial recognition.

5.5 Provisions

Employee provisions

Balance at beginning of financial year	13,023	12,345
Additional provisions	2,392	2,909
Amounts used	(1,870)	(2,089)
Change in discounted amount arising because of the time and the effect of any change in the discount rate	267	(142)
Balance at the end of the financial year	13,812	13,023

(a) Current provisions expected to be wholly settled within 12 months

Annual leave	4,702	4,037
Long service leave	1,080	1,043
Gratuity	3	3
	5,785	5,083

Current provisions expected to be wholly settled after 12 months

Annual leave	248	212
Long service leave	6,119	5,908
Gratuity	65	95
	6,432	6,215
Total current employee provisions	12,217	11,298

Notes to the Financial Statements For the year ended 30 June 2019

	2019 \$'000	2018 \$'000
5.5 Provisions (cont.)		
(b) Non-current		
Long service leave	1,595	1,725
Total non-current employee provisions	1,595	1,725
Aggregate carrying amount of employee provisions:		
Current	12,217	11,298
Non-current	1,595	1,725
Total aggregate carrying amount of employee provisions	13,812	13,023

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 the present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Long service leave

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

Key assumptions:

- discount rate	1.148%
- inflation rate	4.310%

Notes to the Financial Statements For the year ended 30 June 2019

5.6 Commitments

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

2019	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 year and not later than 5 years	Later than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Recycling and waste collection	6,596	4,905	1,821	65	13,387
Council building maintenance	4,000	4,000	667	-	8,667
Utilities	682	-	-	-	682
Other	1,321	971	465	291	3,048
Information technology	1,174	60	42	-	1,276
Total	13,773	9,936	2,995	356	27,060
Capital					
Buildings	2,769	-	-	-	2,769
Infrastructure	1,788	-	-	-	1,788
Plant and equipment	75	-	-	-	75
Total	4,632	-	-	-	4,632
2018	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 year and not later than 5 years	Later than 5 years	Total
	\$'000	\$'000	\$'000	\$'001	\$'000
Recycling and waste collection	5,179	-	-	-	5,179
Council building maintenance	4,000	4,000	4,667	-	12,667
Utilities	697	697	30	15	1,439
Other	1,462	1,266	467	103	3,298
Debt collection	460	-	-	-	460
Valuations	452	452	452	-	1,356
Information technology	414	38	53	-	505
Total	12,664	6,453	5,669	118	24,904
Capital					
Buildings	4,687	-	-	-	4,687
Infrastructure	7,944	-	-	-	7,944
Plant and equipment	431	-	-	-	431
Total	13,062	-	-	-	13,062

Notes to the Financial Statements

For the year ended 30 June 2019

	2019	2018
	\$'000	\$'000

5.6 Commitments (cont.)

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	672	202
Later than one year and not later than five years	1,537	65
	<u>2,209</u>	<u>267</u>

5.7 Financing arrangements

Bank overdraft	2,500	2,500
Credit card facilities	45	45
Total unused facilities	<u>2,545</u>	<u>2,545</u>

Interest-bearing loans and borrowings – secured	28,068	35,091
Used facilities	<u>28,068</u>	<u>35,091</u>

Council has a bank overdraft facility secured over rates with the Commonwealth Bank.

Notes to the Financial Statements For the year ended 30 June 2019

Note 6 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2018	Additions	Contributions	Revaluation	Depreciation	Disposal	Write-off	Found	Transfers	At Fair Value 30 June 2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property	1,071,410	9,225	755	(66,609)	(7,274)	(2,529)	(942)	1,003	-	1,005,039
Plant and equipment	10,805	4,555	-	-	(3,486)	(419)	(28)	-	-	11,427
Infrastructure	575,209	16,991	2,023	41,210	(20,768)	-	(1,256)	2,001	-	615,410
Work in progress	25,013	17,062	-	-	-	-	-	-	-	42,075
	1,682,437	47,833	2,778	(25,399)	(31,528)	(2,948)	(2,226)	3,004	-	1,673,951

Summary of Work in Progress (WIP)

	Opening WIP	Additions	Write-offs	Transfers	Closing WIP
	\$'000	\$'000	\$'000	\$'000	\$'000
Property	4,705	4,581	-	-	9,286
Plant and equipment	1,440	166	-	-	1,606
Infrastructure	18,868	12,315	-	-	31,183
Total	25,013	17,062	-	-	42,075

Notes to the Financial Statements For the year ended 30 June 2019

(a) Property	Land - specialised	Land - non specialised	Land under roads	Total land	Buildings - specialised	Buildings - non specialised	Total	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2018	846,587	21,858	3,433	871,878	37,399	287,131	324,530	4,705	1,201,113
Accumulated depreciation 1 July 2018	-	-	-	-	(12,825)	(112,173)	(124,998)	-	(124,998)
	846,587	21,858	3,433	871,878	24,574	174,958	199,532	4,705	1,076,115
Movements in fair value									
Additions	-	300	-	300	1,335	7,590	8,925	4,581	13,806
Contributions	-	283	472	755	-	-	-	-	755
Found	83	-	-	83	4,704	1,210	5,914	-	5,997
Revaluation	(68,356)	(426)	-	(68,782)	82	(3,361)	(3,279)	-	(72,061)
Write-off	(520)	(130)	-	(650)	(165)	(3,037)	(3,202)	-	(3,852)
Disposal	-	(2,504)	-	(2,504)	-	(1,010)	(1,010)	-	(3,514)
Transfers	-	-	-	-	-	-	-	-	-
	(68,793)	(2,477)	472	(70,798)	5,956	1,392	7,348	4,581	(58,869)
Movements in accumulated depreciation									
Depreciation	-	-	-	-	(849)	(6,425)	(7,274)	-	(7,274)
Revaluation increments/decrements	-	-	-	-	(193)	5,645	5,452	-	5,452
Accumulated depreciation of write-off	-	-	-	-	161	2,749	2,910	-	2,910
Accumulated depreciation of disposals	-	-	-	-	-	985	985	-	985
Found	-	-	-	-	(3,857)	(1,137)	(4,994)	-	(4,994)
Transfers	-	-	-	-	-	-	-	-	-
	-	-	-	-	(4,738)	1,817	(2,921)	-	(2,921)
At fair value 30 June 2019	777,794	19,381	3,905	801,080	43,355	288,523	331,878	9,286	1,142,244
Accumulated depreciation 30 June 2019	-	-	-	-	(17,563)	(110,356)	(127,919)	-	(127,919)
	777,794	19,381	3,905	801,080	25,792	178,167	203,959	9,286	1,014,325

Notes to the Financial Statements

For the year ended 30 June 2019

(b) Plant and equipment	Plant machinery and equipment	Fixtures, fittings and furniture	Computers and telecomms	Library books	Work in progress	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2018	17,716	1,265	3,666	4,943	1,440	29,030
Accumulated depreciation 1 July 2018	(9,885)	(448)	(2,914)	(3,538)	-	(16,785)
	7,831	817	752	1,405	1,440	12,245
Movements in fair value						
Additions	3,459	81	351	664	166	4,721
Write-off	(152)	-	-	-	-	(152)
Disposal	(1,707)	-	-	-	-	(1,707)
	1,600	81	351	664	166	2,862
Movements in accumulated depreciation						
Depreciation and amortisation	(2,441)	(134)	(369)	(542)	-	(3,486)
Transfers	(18)	-	18	-	-	-
Accumulated depreciation of write-offs	124	-	-	-	-	124
Accumulated depreciation of disposals	1,288	-	-	-	-	1,288
	(1,047)	(134)	(351)	(542)	-	(2,074)
At fair value 30 June 2019	19,316	1,346	4,017	5,607	1,606	31,892
Accumulated depreciation 30 June 2019	(10,932)	(582)	(3,265)	(4,080)	-	(18,859)
	8,384	764	752	1,527	1,606	13,033

Notes to the Financial Statements For the year ended 30 June 2019

(c) Infrastructure	Roads	Bridges	Footpaths and cycleways	Drainage	Recreational, leisure and community	Waste management	Off-street car parks	Other infrastructure	Work in progress	Total Infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2018	453,730	22,768	113,478	258,928	107,735	2,950	32,158	12,212	18,868	1,022,827
Accumulated depreciation 1 July 2018	(177,011)	(7,486)	(51,542)	(118,445)	(51,340)	(787)	(16,617)	(5,522)	-	(428,750)
	276,719	15,282	61,936	140,483	56,395	2,163	15,541	6,690	18,868	594,077
Movements in fair value										
Additions	6,946	1,826	2,626	1,027	3,394	-	1,094	78	12,315	29,306
Contributions	813	-	624	439	147	-	-	-	-	2,023
Found	1,528	151	201	-	789	-	84	-	-	2,753
Revaluation	28,006	1,465	3,686	12,087	3,350	-	1,146	531	-	50,271
Write-off	(125)	(61)	(554)	-	(1,476)	-	(584)	-	-	(2,800)
Transfers	-	(942)	-	938	4	-	-	-	-	-
	37,168	2,439	6,583	14,491	6,208	-	1,740	609	12,315	81,553
Movements in accumulated depreciation										
Depreciation	(7,046)	(558)	(2,811)	(3,418)	(5,484)	(295)	(842)	(314)	-	(20,768)
Accumulated depreciation of write-offs	44	26	294	-	735	-	445	-	-	1,544
Revaluation	2,567	(2,468)	(1,949)	(5,100)	(1,535)	-	(665)	89	-	(9,061)
Found	(506)	(121)	(11)	-	(96)	-	(18)	-	-	(752)
Transfers	-	302	-	(301)	(1)	-	-	-	-	-
	(4,941)	(2,819)	(4,477)	(8,819)	(6,381)	(295)	(1,080)	(225)	-	(29,037)
At fair value 30 June 2019	490,898	25,207	120,061	273,419	113,943	2,950	33,898	12,821	31,183	1,104,380
Accumulated depreciation 30 June 2019	(181,952)	(10,305)	(56,019)	(127,264)	(57,721)	(1,082)	(17,697)	(5,747)	-	(457,787)
	308,946	14,902	64,042	146,155	56,222	1,868	16,201	7,074	31,183	646,593

Notes to the Financial Statements

For the year ended 30 June 2019

6.1 Property, infrastructure, plant and equipment (cont.)

Acquisition

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

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

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

Asset recognition thresholds and depreciation periods

	Depreciation period	Threshold limit \$
Property		
Buildings	40-60 years	15,000
Infrastructure		
Roads		
Sealed road pavement foundation	No depreciation applied	15,000
Sealed road pavement base	100 years	15,000
Unsealed roads	20 years	15,000
Kerb and channel	70 years	15,000
Bridges	70-100 years	15,000
Footpaths and cycleways		
Footpaths	70 years	15,000
Bicycle paths	20 years	15,000
Drainage	80 years	5,000
Recreational, leisure and community	10 -20 years	1,000
Waste management	5-10 years	15,000
Off-street carparks	50 years	15,000
Traffic management devices	50 years	15,000
Plant and equipment		
Plant and machinery	5-10 years	15,000
Furniture and equipment	5-10 years	15,000
Computers and telecoms	5 years	15,000
Library books	5 years	Nil

Land under roads

Land under roads acquired after 30 June 2008 are brought to account using the cost basis. Council does not recognise land under roads that were controlled prior to that period in its financial report.

Roads received from developers are valued based on the base block value for the area in which they are located. The base block value is determined by reference to the biennial valuations performed by Council. The rate determined is applied to the area of the land. The base block value is then discounted by 92.50 per cent to determine fair value.

Notes to the Financial Statements

For the year ended 30 June 2019

6.1 Property, infrastructure, plant and equipment (cont.)

Depreciation

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

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

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

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

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

Repairs and maintenance

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

Valuation of land and buildings

Valuation of land and buildings were undertaken in June 2019 by a qualified independent valuer Rodney Patel AAPI of Patel Dore Pty Ltd. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the Comprehensive Income Statement.

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

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

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

Details of Council's land and buildings and information about the fair value hierarchy as at 30 June 2019 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
	\$'000	\$'000	\$'000	
Land – non specialised	-	19,381	-	June 2019
Land – specialised	-	-	777,794	June 2019
Land under roads	-	-	3,905	June 2019
Buildings – non-specialised	-	178,167	-	June 2019
Buildings – specialised	-	-	25,792	June 2019
Total	-	197,548	807,491	

Notes to the Financial Statements For the year ended 30 June 2019

6.1 Property, infrastructure, plant and equipment (cont.)

Valuation of infrastructure

Valuation of infrastructure assets has been undertaken by Council officers in accordance with AASB 116 and AASB 136.

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

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

Details of Council's infrastructure and information about the fair value hierarchy as at 30 June 2019 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
	\$'000	\$'000	\$'000	
Roads	-	-	308,946	June 2019
Bridges	-	-	14,902	June 2019
Footpaths and cycleway	-	-	64,042	June 2019
Drainage	-	-	146,155	June 2019
Recreational, leisure and community facilities	-	-	56,222	June 2019
Waste management	-	-	1,868	
Off-street carparks	-	-	16,201	June 2019
Other infrastructure	-	-	7,074	June 2019
Total	-	-	615,410	

Description of significant unobservable inputs into level 3 valuations

Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5 per cent and 95 per cent. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$80 and \$2,200 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 \$190 to \$70,000 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 2 years to 91 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 2 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	2019 \$'000	2018 \$'000
Reconciliation of specialised land		
Land	777,794	846,587
Land under roads	3,905	3,905
Total specialised land	781,699	850,492

Notes to the Financial Statements

For the year ended 30 June 2019

6.2 Investments in subsidiaries (cont.)

Principles of consolidation

The consolidated financial statements of Council incorporate all entities controlled by Council as at 30 June 2019 and their income and expenses for that part of the reporting period in which control existed.

Subsidiaries are all entities over which Council has control. Council controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Council. They are deconsolidated from the date that control ceases.

Where dissimilar accounting policies are adopted by entities and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

In the process of preparing consolidated financial statements all material transactions and balances between consolidated entities are eliminated in full.

Entities consolidated into Council include:

- Peninsula Leisure Pty Ltd (ACN: 160 239 770)

(a) Investments in subsidiaries

Subsidiary

Peninsula Leisure Pty Ltd (ACN: 160 239 770)

Background

Peninsula Leisure Pty Ltd is a wholly-owned subsidiary of Frankston City Council. Peninsula Leisure Pty Ltd operates Peninsula Aquatic Recreation Centre (Frankston PARC), an aquatic and recreation facility servicing the region. The centre was established in 2014 and is located near the heart of the Frankston CBD. Peninsula Leisure Pty Ltd also operates Pines Forest Aquatic Centre, Frankston's largest outdoor swimming pool. The centre is open seasonally and is located in Frankston North.

Summarised financial information

Summarised statement of comprehensive income

	2019	2018
	\$'000	\$'000
Total income	13,352	11,862
Total expenses	13,084	11,516
Surplus for the year	268	346
Other comprehensive income	-	-
Total comprehensive result	268	346
Summarised balance sheet		
Current assets	3,284	2,912
Non-current assets	886	719
Total assets	4,170	3,631
Current liabilities	1,408	1,225
Non-current liabilities	194	106
Total liabilities	1,602	1,331
Net assets	2,568	2,300
Summarised statement of cash flows		
Net cash provided by operating activities	807	482
Net cash provided used in investing activities	(1,537)	(530)
Net (decrease) in cash and cash equivalents	(730)	(48)

Notes to the Financial Statements

For the year ended 30 June 2019

Note 7 People and relationships

7.1 Council and Key management remuneration

(a) Related Parties

Parent entity

Frankston City Council is the parent entity.

Subsidiaries and Associates

Interests in subsidiaries and associates are detailed in note 6.2.

(b) Key Management Personnel

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

Councillors	Councillor Michael O'Reilly (Mayor)	(22 October 2016 to current. Mayor from 8 November 2018 to current)
	Councillor Glenn Aitken	(22 October 2016 to current)
	Councillor Kris Bolam	(22 October 2016 to current)
	Councillor Brian Cunial	(22 October 2016 to current)
	Councillor Colin Hampton	(22 October 2016 to current. Mayor from 1 July 2018 to 8 November 2018)
	Councillor Sandra Mayer	(22 October 2016 to current)
	Councillor Quinn McCormack	(22 October 2016 to current)
	Councillor Lillian O'Connor	(22 October 2016 to current)
	Councillor Steve Toms	(22 October 2016 to current)
Key Management Personnel	Chief Executive Officer:	Dennis Hovenden
	Director - Community Development:	Dr Gillian Kay
	Director - Community Assets:	Phil Cantillon
	Director - Corporate Development:	Tim Frederico

	2019	2018
	No.	No.
Total Number of Councillors	9	9
Total of Chief Executive Officer and other Key Management Personnel	4	4
Total Number of Key Management Personnel	13	13

(c) Remuneration of Key Management Personnel

	2019	2018
	\$'000	\$'000
Total remuneration of Key Management Personnel was as follows:		
Short-term benefits	1,362	1,377
Long-term benefits	137	137
Other long-term benefits	58	25
Total	1,557	1,539

Notes to the Financial Statements

For the year ended 30 June 2019

7.1 Council and key management remuneration (cont.)

	2019	2018
	No.	No.
The numbers of Key Management Personnel whose total remuneration from Council and any related entities, fall within the following bands:		
\$ 30,000 - \$ 39,999	7	7
\$ 50,000 - \$ 59,999	1	1
\$ 70,000 - \$ 79,999	-	1
\$ 80,000 - \$ 89,999	1	-
\$240,000 - \$249,999	-	1
\$260,000 - \$269,999	1	-
\$280,000 - \$289,999	1	-
\$300,000 - \$309,999	1	2
\$320,000 - \$329,999	1	1
	13	13

(d) Senior Officers remuneration

A Senior Officer other than a Key Management Personnel, who:

- a) has management responsibilities and reports directly to the Chief Executive Officer; or
- b) whose total annual remuneration exceeds \$148,000

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

	2019	2018
	No.	No.
Income Range:		
< \$149,999	2	6
\$150,000 - \$159,999	-	1
\$160,000 - \$169,999	2	3
\$170,000 - \$179,999	4	3
\$180,000 - \$189,999	4	1
\$190,000 - \$199,999	2	4
\$200,000 - \$209,999	3	-
\$210,000 - \$219,999	2	-
\$240,000 - \$249,999	1	1
	20	19

	2019	2018
	\$'000	\$'000
Total Remuneration for the reporting year for Senior officers included above, amounted to:	3,560	2,935

Notes to the Financial Statements For the year ended 30 June 2019

7.2 Related party disclosure

(a) Transactions with related parties

No transactions other than remuneration payments or the reimbursement of approved expenses were entered into by Key Management Personnel, or related parties of such Key Management Personnel during the reporting year (2017-2018, nil).

(b) Outstanding balances with related parties

No outstanding balances are owed by Council to Key Management Personnel or related parties at the end of the reporting period (2017-2018, nil).

(c) Loans to/from related parties

No loans have been made, guaranteed or secured by Council to Key Management Personnel or related parties during the reporting year (2017-2018, nil).

(d) Commitments to/from related parties

No commitments have been made, guaranteed or secured by Council to Key Management Personnel or related parties during the reporting year (2017-2018, nil).

Notes to the Financial Statements

For the year ended 30 June 2019

Note 8 Managing uncertainties

8.1 Contingent assets and liabilities

(a) Contingent assets

Operating lease receivables

Council has entered into leases on its property. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 20 years. All leases include a CPI based revision of the rental charge annually. Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2019	2018
	\$'000	\$'000
No later than one year	711	704
Later than one year and not later than five years	1,948	2,031
Later than five years	1,361	1,577
Total	4,020	4,312

Contingent assets arising from developer contributions

In accordance with AASB 137, Council is required to recognise an asset for which it is probable that a future economic benefit will eventuate and the amount of this asset can be reliably measured. Council anticipates developer contributions to be received in respect of estates currently under development. Council estimates the total of these contributions for 2019-2020 to be \$0.800 million (\$0.800 million 2018-2019).

(b) Contingent liabilities

Superannuation

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

Future superannuation contributions

In addition to the disclosed contributions, Frankston City Council has paid unfunded liability payments to Vision Super totalling \$0.217 million paid during the 2018-2019 year (2017-2018 \$0.274 million). There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2019. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2020 are \$0.450 million.

8.2 Change in accounting standards

The following new AAS's have been issued that are not mandatory for the 30 June 2019 reporting period. Council has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

Revenue from contracts with customers (AASB 15) (applies 2019-2020 for LG sector)

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.

Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities (AASB 2016-7) (applies 2019-2020)

This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.

Income of Not-for-Profit Entities (AASB 1058) (applies 2019-2020)

This standard is expected to apply to certain transactions currently accounted for under AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable a not-for-profit entity to further its objectives.

Notes to the Financial Statements For the year ended 30 June 2019

8.2 Change in accounting standards (cont.)

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 elected to adopt the modified retrospective approach to the transition to the new lease standard. This will mean that only existing operating leases for non low value assets, with remaining terms greater than 12 months, will be recognised on transition (1 July 2019). Based on our current lease commitments and an assumption of a continuation of the current leasing arrangements Council expects that the transition to the new standard will see the initial recognition of \$1.868 million in lease related assets and an equivalent liability.

8.3 Financial instruments

(a) Objectives and policies

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

(b) Market risk

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

Interest rate risk

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

There has been no significant change in 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 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 us to make a financial loss. Particularly significant areas of credit risk exist in relation to outstanding fees and fines as well as loans and receivables from sporting clubs and associations. Council has exposure to credit risk on some financial assets included in the Balance Sheet.

Notes to the Financial Statements For the year ended 30 June 2019

8.3 Financial instruments (cont.)

(c) Credit risk (cont.)

To help manage this risk:

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

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

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

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

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

(d) Liquidity risk

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

To help reduce these risks Council:

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

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

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

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

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

(e) Sensitivity disclosure analysis

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

- A parallel shift of +2 per cent and -1 per cent in market interest rates (AUD) from year-end rates of 2 per cent.

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

8.4 Fair value measurement

Fair value hierarchy

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

Notes to the Financial Statements For the year ended 30 June 2019

8.4 Fair value measurement (cont.)

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

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

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

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

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

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

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

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

Revaluation

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

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

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

Impairment of assets

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

8.5 Events occurring after balance date

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

Notes to the Financial Statements For the year ended 30 June 2019

Note 9 Other matters

9.1 Reserves

(a) Asset revaluation reserves

	Balance at beginning of reporting period \$'000	Increment/ (decrement) \$'000	Balance at end of reporting period \$'000
2019			
Property			
Land revaluation*	745,713	(68,782)	676,931
Building revaluation	55,665	2,173	57,838
	801,378	(66,609)	734,769
Infrastructure			
Drainage revaluation	77,587	6,987	84,574
Roads revaluation	91,254	34,223	125,477
	168,841	41,210	210,051
Plant and equipment			
Plant and machinery revaluation	614	-	614
	614	-	614
Total asset revaluation reserves	970,833	(25,399)	945,434
2018			
Property			
Land revaluation**	467,300	278,413	745,713
Building revaluation	55,789	(124)	55,665
	523,089	278,289	801,378
Infrastructure			
Drainage revaluation	80,541	(2,954)	77,587
Roads revaluation	89,559	1,695	91,254
	170,100	(1,259)	168,841
Plant and equipment			
Plant and machinery revaluation	614	-	614
	614	-	614
Total asset revaluation reserves	693,803	277,030	970,833

Nature and purpose of reserves

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

* Council elected to revalue its land and building outside its scheduled revaluation program as a result of the downturn in the property market. The revaluation highlighted a decrease to fair value of 7.89 per cent. This result is consistent with the outcome of the general revaluation conducted by Council's contract valuers that had seen a significant change in property valuations throughout the municipality during the period.

** A revaluation of Council land highlighted an increase to fair value of 59.6 per cent. This result in the prior year was consistent with the outcome of the general revaluation conducted by Council's contract valuers that had seen a significant change in property valuations throughout the municipality during the prior period.

Notes to the Financial Statements

For the year ended 30 June 2019

9.1 Reserves

(b) Other reserves

	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
2019				
Statutory				
Public resort and recreation	5,467	1,576	(764)	6,279
Subdivision roadworks	133	-	-	133
Infrastructure assets	74	-	-	74
Car parking	10	-	-	10
Total statutory reserves	5,684	1,576	(764)	6,496
Discretionary				
Strategic asset reserve	25,988	3,918	(300)	29,606
Unexpended grant reserve	12,347	8,563	(6,770)	14,140
MAV LGFV Fund	15,542	830	(6,635)	9,737
PARC asset management sinking fund	6,000	3,187	(100)	9,087
Capital projects reserve	7,313	1,307	(3,997)	4,623
PARC asset management plan reserve	1,025	320	(174)	1,171
PARC strategic reserve	495	87	(282)	300
Resource efficiency	44	7	-	51
Total discretionary reserves	68,754	18,219	(18,258)	68,715
Total other reserves	74,438	19,795	(19,022)	75,211
2018				
Statutory				
Public resort and recreation	4,250	1,711	(494)	5,467
Subdivision roadworks	133	-	-	133
Infrastructure assets	74	-	-	74
Car parking	10	-	-	10
Total statutory reserves	4,467	1,711	(494)	5,684
Discretionary				
Strategic asset reserve	19,647	8,656	(2,315)	25,988
MAV LGFV Fund	14,202	1,340	-	15,542
Unexpended grant reserve	10,217	5,819	(3,689)	12,347
Capital projects reserve	1,967	5,485	(139)	7,313
PARC asset management sinking fund	3,000	3,000	-	6,000
PARC asset management plan reserve	960	320	(255)	1,025
PARC strategic reserve	526	244	(275)	495
Resource efficiency	57	-	(13)	44
Total discretionary reserves	50,576	24,864	(6,686)	68,754
Total other reserves	55,043	26,575	(7,180)	74,438

Notes to the Financial Statements

For the year ended 30 June 2019

9.1 Reserves (cont.)

Nature and purpose of reserves

Capital projects reserve - has been established to quarantine specific purpose funding for the delivery of capital projects.

MAV LGFV Fund - has been established to provide for the \$15.542 million principal repayment required on the maturity of the interest-only Local Government Funding Vehicle in 2025-2026.

PARC asset management sinking fund - has been established by Council and represents funding allocated to set aside funds to contribute to the replacement of the Aquatic Facility in approximately 40 years – this reserve is not to fund renewal or maintenance expenditure on this facility.

PARC asset management reserve - has been established by Peninsula Leisure and is designated to meet the Company's obligations for defined classes of capital as set out in the schedule with the PARC Asset Management Plan (AMP).

PARC strategic reserve - has been established by Peninsula Leisure and is designated for capital investment expended over more than one financial year that falls outside the requirements of the AMP.

Resource efficiency reserves - have been established by Council to reinvest savings from energy costs in further works to minimise energy consumption.

Statutory reserves - have been established to record revenues received from developers that are to be applied specifically to undertaking future capital works for carparking, public open space and recreation, subdivision roadworks and community infrastructure.

Strategic asset reserve - Strategic asset reserve – has been established to assist in the delivery of community infrastructure highlighted in the Council Plan for 2017-2021 to reach a vision as the Lifestyle Capital of Victoria. Council has set 14 strategic priorities for the four years that will require significant funding to deliver a revitalised City, regional sporting facilities, further development of the Frankston Station precinct and re-development of the existing Frankston Arts Centre.

Unexpended grant reserve - has been established by Council to quarantine unexpended grant funding.

9.2 Reconciliation of cash flows from operating activities to surplus

	2019	2018
	\$'000	\$'000
Surplus for the year	15,700	30,727
Depreciation/amortisation	32,549	28,730
Net gain/(loss) on disposal of property, infrastructure, intangibles, plant and equipment	4,427	(430)
Borrowing costs	1,576	1,869
Contributions - non-monetary assets	(2,778)	(3,607)
Change in assets and liabilities:		
Increase in receivables	(421)	(3,598)
Increase in other operating assets	(862)	(101)
Decrease/(increase) in inventory	28	(7)
Increase in payables	1,468	5,285
Increase in provisions	789	678
(Decrease)/increase in other liabilities	(5,742)	5,822
Net Cash provided by operating activities	46,734	65,368

Notes to the Financial Statements For the year ended 30 June 2019

9.3 Superannuation

Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently.

Accumulation

The Fund's accumulation categories, Vision MySuper and Vision Super Saver, receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2019, this was 9.5 per cent as required under Superannuation Guarantee legislation).

Defined benefit

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

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. For the year ended 30 June 2019, this rate was 9.5% of members' salaries (9.5% in 2017-2018).

As at 30 June 2018, an interim actuarial investigation was completed. The Vested Benefit Index (VBI) of the Defined Benefit category of which Council is a contributing employer was 106.0 per cent. To determine the VBI, the Fund Actuary used the following long-term assumptions:

Net investment returns: 6.0 per cent pa
Salary information: 3.5 per cent pa
Price inflation (CPI): 2.0 per cent pa

Vision Super has advised that the estimated VBI at 30 June 2019 was 107.1 per cent. The VBI is to be used as the primary funding indicator. Because the VBI was above 100 per cent, the 30 June 2018 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.

2018 interim actuarial investigation surplus amounts

The Fund's interim actuarial investigation as at 30 June 2018 identified the following in the defined benefit category of which Council is a contributing employer:

- A VBI surplus of \$131.900 million (2017: \$69.800 million)
- A total service liability surplus of \$218.300 million (2017: 193.500 million)
- A discounted accrued benefits surplus of \$249.100 million (2017 \$228.800 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 2018. Council was notified of the 30 June 2018 VBI during August 2018.

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.

An interim actuarial investigation will be conducted for the Fund's position as at 30 June 2019. It is anticipated that this actuarial investigation will be completed by October 2019.



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Frankston City Council

Performance Statement

For the year ended 30 June 2019





Performance Statement

For the year ended 30 June 2019

Description of municipality

Frankston City is located on the eastern shores of Port Phillip Bay approximately 40 kilometres south of Melbourne. The city covers an area of about 131 square kilometres from the Seaford Wetlands in the north, to Frankston South in the South and the Western Port Highway in the east. The western boundary of the city is made up of 11 kilometres of pristine coastline. The Estimated Resident Population (ERP) is 141,845 and is expected to grow to 163,610 by 2041.

Frankston City comprises the suburbs of Frankston, Frankston South, Frankston North, Seaford, Carrum Downs, Langwarrin, Langwarrin South, Karingal, Sandhurst and Skye and is strategically placed as the regional centre of the Mornington Peninsula and the south east growth corridor of Melbourne.

The city's main industries include health care and community services, manufacturing, retail trade, education and training. Frankston City is recognised for its parks and natural reserves, vibrant lifestyles, diverse community and growing business, arts, education and health sectors.

Frankston City provides recreation, leisure and entertainment facilities for a population catchment far greater than its municipal boundaries as it hosts a number of popular venues, events and attractions such as the Frankston Arts Centre, McClelland Sculpture Park and Gallery, The Waterfront Festival and the Sand Sculpting Australia exhibition.

Frankston City is currently experiencing a rapid change in perception and landscape. Major Victorian and Australian Government investment in the form of the Frankston Station redevelopment and the transformation of Young Street has spurred investor confidence and outside interest.

Coupled with the expansions of Peninsula Health's Frankston Hospital and Chisholm TAFE, and the convenient proximity to Monash University's Peninsula Campus, these projects have also been a catalyst for private development, most notably throughout the city centre in the form of offices and apartments.

Sustainability capacity indicators

For the year ended 30 June 2018

Indicator/measure	Results					Material Variations
	2014–2015	2015–2016	2016–2017	2017–2018	2018–2019	
Own-source revenue	\$914	\$1,000	\$1,057	\$1,089	\$1,126	Council continues to identify and pursue alternative revenue sources.
<i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]						
Recurrent grants	\$176	\$109	\$172	\$145	\$128	
<i>Recurrent grants per head of municipal population</i> [Recurrent grants / municipal population]						Recurrent grants including the Victorian Grants Commission funding are not increasing at the same pace as the municipal population. Grant funding has reduced by \$1.2 million since 2017-2018.
Population	\$1,058	\$1,034	\$1,056	\$1,089	\$1,216	The significant rise is mainly due to waste and disposal services. Depreciation has also increased due to the delivery of a large capital works program and increase to asset revaluation.
<i>Expenses per head of municipal population</i> [Total expenses / Municipal population]						
<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$5,207	\$5,415	\$5,794	\$5,618	\$6,154	Frankston City continues to increase infrastructure delivery to meet community needs.
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	194	194	197	211	213	The increase is primarily due to the estimated population growth currently at 141,845.
Disadvantage	6	6	6	7	7	Council ranks in the seventh decile in Victoria. The previous year's result was taken from the National index of relative socio-economic disadvantage by decile. The first decile indicates the most disadvantaged and the tenth decile indicates the least disadvantaged.
<i>Relative socio-economic disadvantage [Index of relative socio-economic disadvantage by decile]</i>						

Definitions

"adjusted underlying revenue" means total income other than:

- (a) non-recurrent grants used to fund capital expenditure; and
- (b) non-monetary asset contributions; and

(c) contributions to fund capital expenditure from sources other than those referred to above

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

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

"population" means the resident population estimated by Council

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

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

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

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

Service performance indicators

For the year ended 30 June 2019

Indicator/measure	Results					Material Variations
	2014–2015	2015–2016	2016–2017	2017–2018	2018–2019	
Governance						
Satisfaction <i>Satisfaction with Council decisions</i> [Community satisfaction rating out of 100 with how Council has performed in making decisions in the interest of the community]	59	58	54	52	55	Score indicates improved community satisfaction with Council decision.
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	45%	56%	41%	44%	32%	VCAT decisions set aside were high however a number of matters were settled by consent at VCAT once modifications were made to the proposal or as a result of compulsory conference outcomes. Applications reflect an agreed position between Council and the applicant which is subsequently affirmed by VCAT without a contested hearing. Council is undertaking further strategic planning work to update the Frankston Planning Scheme to enable decisions which meet community needs.

Indicator/measure	Results					Material Variations
	2014–2015	2015–2016	2016–2017	2017–2018	2018–2019	
Roads						
Satisfaction <i>Satisfaction with sealed roads</i> [Community satisfaction rating out of 100 with how Council has performed on the condition of sealed local roads]	64	63	59	64	66	An increase in satisfaction from the previous years including ten points higher than the state-wide average.
Libraries						
Participation <i>Active library members</i> [Number of active library members / Municipal population] x100	15%	14%	13%	12%	11%	Consistent with previous years and provides an indication as to how many residents are accessing and engaged in the library and its services.
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	54%	53%	54%	53%	54%	An increase in kerbside garden waste service uptake and initiatives such as Garage Sale Trail, has resulted in an increased diversion of waste from landfill.
Aquatics Facilities						
Utilisation <i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	4	6	7	6	7	Visitation to Peninsula Aquatic Recreation Centre (PARC) and Pines Forest Aquatic Centre continues to increase with over 1.033 million combined visits.

Indicator/measure	Results					Material Variations
	2014–2015	2015–2016	2016–2017	2017–2018	2018–2019	
Animal Management						
Health and safety	37	82	71	144	114	The rate of non-compliance has improved resulting in a decrease in the number of prosecutions.
<i>Animal management prosecutions</i> [Number of successful animal management prosecutions]						
Food Safety						
Health and safety	86%	99%	100%	95%	100%	All premises that received a major or critical inspection outcome were followed up in a timely manner.
<i>Critical and major non-compliance outcome notifications</i> [Number of critical non-compliance notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance notifications and major non-compliance notifications about food premises] x100						
Maternal Child and Health						
Participation						Participation rate consistent with previous year.
<i>Participation in the MCH service</i> [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100	78%	75%	70%	74%	75%	



Indicator/measure	Results					Material Variations
	2014–2015	2015–2016	2016–2017	2017–2018	2018–2019	
<p>Participation</p> <p><i>Participation in MCH service by Aboriginal children</i></p> <p>[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%	68%	69%	76%	87%	A significant increase due to better identification of Out of Home Care children.

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

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

"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 2019

Dimension/indicator/measure	Results					Forecast				Material Variations
	2014–2015	2015–2016	2016–2017	2017–2018	2018–2019	2019–2020	2020–2021	2021–2022	2022–2023	
Operating Position										
Adjusted underlying result										
Adjusted underlying surplus (or deficit)	3.4%	8.9%	15.0%	13.2%	4.5%	6.9%	6.2%	5.1%	4.2%	Figure reflects the long term impact of rate capping, the increase in waste and disposal service cost. Decreased funding from government grants and an increase in asset depreciation.
[Adjusted underlying surplus (deficit)/Adjusted underlying revenue] x100										
Liquidity										
Working capital										
Current assets compared to current liabilities	164.0%	223.6%	334.9%	252.7%	299.2%	328.2%	311.7%	291.3%	300.6%	Assets are expected to remain stable over the next four years as Council delivers on its strategic priorities.
[Current assets / Current liabilities] x100										
Unrestricted cash										
Unrestricted cash compared to current liabilities	55.0%	45.4%	58.0%	50.4%	44.2%	111.8%	151.5%	131.1%	140.3%	Lower due to higher unexpended grants and carry forward capital works projects. This is expected to increase in future years as
[Unrestricted cash / Current liabilities] x100										



Dimension/indicator/measure	Results				Forecast					Material Variations
	2014–2015	2015–2016	2016–2017	2017–2018	2018–2019	2019–2020	2020–2021	2021–2022	2022–2023	
										projects are delivered.
Obligations										
Loans and borrowings										
<i>Loans and borrowings compared to rates</i> [Interest bearing loans and borrowings / Rate revenue] x100	30.0%	34.4%	31.5%	30.1%	23.1%	21.9%	21.1%	20.3%	19.5%	Council repaid a loan of \$7.02 million. Expected to continue to decrease, reflecting Council’s scheduled repayment of debt.
<i>Loans and borrowings repayments compared to rates</i> [Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100	4.0%	4.5%	2.9%	2.3%	7.1%	1.4%	1.4%	1.4%	1.3%	Council repaid a loan of \$7.02 million. Expected to continue to decrease, reflecting Council’s scheduled repayment of debt.
Indebtedness										
<i>Non-current liabilities compared to own-source revenue</i> [Non-current liabilities / own-source revenue] x100	19.0%	28.3%	25.2%	19.5%	18.4%	17.9%	17.3%	16.7%	16.1%	Council has a prudent level of long term liabilities, however the level of own-source revenue continues to be restricted through rate capping and user fees and charges.



Dimension/indicator/measure	Results				Forecast					Material Variations
	2014–2015	2015–2016	2016–2017	2017–2018	2018–2019	2019–2020	2020–2021	2021–2022	2022–2023	
Asset renewal										
Asset renewal compared to depreciation [Asset renewal expenses / Asset depreciation] x100	70.0%	86.6%	60.1%	91.6%	80.5%	75.6%	74.8%	66.2%	61.5%	An anticipated decrease is based on a plateau of renewal expenditure based on current condition assessments.
Stability										
Rates concentration										
Rates compared to adjusted underlying revenue [Rate revenue / Adjusted underlying revenue] x100	68.0%	71.5%	66.6%	66.0%	67.3%	68.8%	69.0%	69.4%	69.5%	Council has a stable dependency on rate revenue, however results indicate it should continue to identify and pursue alternative revenue sources.
Rates effort										
Rates compared to property values [Rate revenue / Capital improved value of rateable properties in the municipality] x100	0.4%	0.4%	0.4%	0.4%	0.3%	0.3%	0.3%	0.4%	0.4%	Will remain stable over the next four years.



Dimension/indicator/measure	Results				Forecast				Material Variations	
	2014–2015	2015–2016	2016–2017	2017–2018	2018–2019	2019–2020	2020–2021	2021–2022		2022–2023
Efficiency										
Expenditure level										
Expenses per property assessment [Total expenses / Number of property assessments]	\$2,377	\$2,256	\$2,340	\$2,471	\$2,783	\$2,720	\$2,802	\$2,850	\$2,947	Expenses have risen due to waste disposal service cost. Depreciation has also increased due to the delivery of a large capital works projects and an increase to asset revaluation. This increase is expected to continue into the future.
Revenue level										
Average residential rate per residential property assessment [Residential rate revenue / Number of residential property assessments]	\$1,099	\$1,168	\$1,166	\$1,221	\$1,292	\$1,283	\$1,316	\$1,326	\$1,359	Expected to remain stable over the next four years.
Workforce Turnover										
Resignations and terminations compared to average staff [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	13.0%	14.8%	14.9%	13.1%	10.1%	10.2%	10.3%	10.5%	10.6%	The decrease represents Council's focus on employee engagement and strengthening the workplace.

Definitions

"adjusted underlying revenue" means total income other than—

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

"adjusted underlying surplus (or deficit)" means adjusted underlying revenue less total expenditure

"asset renewal 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 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.

Other Information

For the year ended 30 June 2019

1. Basis of preparation

Council is required to prepare and include a Performance Statement within its annual report. The Performance Statement includes the results of the prescribed sustainable capacity, service performance and financial performance indicators and measures together with a description of the municipality and an explanation of material variations in the results. Council has made a number of comments under 'Material Variations' to assist readers to interpret the results. This statement has been prepared to meet the requirements of the *Local Government Act 1989* and *Local Government (Planning and Reporting) Regulations 2014*.

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

The Performance Statement presents the actual results for the current year and for the prescribed financial performance indicators and measures, the results forecast by Council's Strategic Resource Plan. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variations in the results contained in the Performance Statement.

The forecast figures included in the Performance Statement are those adopted by Council in its Strategic Resource Plan on 1 July 2019 and which forms part of the Council Plan. The Strategic Resource Plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The Strategic Resource Plan can be obtained by contacting Council.



Certification of the Performance Statement

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

Kim Jaensch CPA MBA
Principal Accounting Officer
Dated: 02 September 2019

In our opinion, the accompanying Performance Statement of *Frankston City Council* for the year ended 30 June 2019 presents fairly the results of council's performance in accordance with the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014*.

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

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

We have been authorised by the Council and by the *Local Government (Planning and Reporting) Regulations 2014* to certify this Performance Statement in its final form.

Cr. Michael O'Reilly
Mayor
Dated: 02 September 2019

Cr. Quinn McCormick
Councillor
Dated: 02 September 2019

Phil Cantillon
Chief Executive Officer
Dated: 02 September 2019