



MINUTES

SPECIAL MEETING OF COUNCIL

Tuesday, 6 September 2016

To be held at the
Council Conference and Reception Centre
City Hall, Little Malop Street, Geelong
commencing at 3.30p.m.

ADMINISTRATORS:

Dr Kathy Alexander (Chair)
Laurinda Gardner
Peter Dorling

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**MINUTES OF THE SPECIAL MEETING
OF THE GREATER GEELONG CITY COUNCIL
HELD AT THE COUNCIL CONFERENCE AND RECEPTION CENTRE
CITY HALL, LITTLE MALOP STREET, GEELONG
TUESDAY, 6 SEPTEMBER 2016
COMMENCING AT 3.30P.M.**

PRESENT: Dr K Alexander (Chair), L Gardner, P Dorling

Also present: K Spiller (Chief Executive Officer), S Boer (Acting General Manager Strategy & Performance), P Bettess (General Manager Planning and Development), V Shelton (Acting General Manager City Services), T Hellsten (Acting General Manager Community Life), B Luxford (General Manager Investment and Attraction), A Keen (Executive Manager People and Organisational Development), M Kelly (Manager Financial Services), K Fulton (Co-ordinator Financial Reporting), R Bourke (Co-ordinator Governance and Legal Services)

OPENING: The Chair declared the meeting open at 3.30pm

ACKNOWLEDGEMENTS:

Council acknowledged Wadawurrung Traditional Owners of this land and all Aboriginal and Torres Strait Islander People who are part of the Greater Geelong community today.

APOLOGIES: Nil.

DECLARATIONS OF CONFLICTS OF INTEREST: Nil.

1. ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Source Strategy & Performance - Financial Services
Act/General Manager: William Tieppo
Index Reference: Financial Management Reporting

Purpose

To authorise two Administrators to certify the 2016 Financial Statements and Performance Statement.

Summary

- The 2015-16 Financial Statement of Accounts and Performance Statement have been prepared and reviewed by the Victorian Auditor General's Office (VAGO).
- These Statements have been prepared in accordance with Australian equivalents to International Financial Reporting Standards.
- The 2016 Revaluation of Council owned Land and Buildings and adjusting entries are included in these statements.
- The final closing audit report has been received from VAGO and there were no major issues of high risk to Council.

- Under Sections 131 and 132 of the *Local Government Act 1989*, Council is required to pass a resolution giving “In Principle” approval to the Performance Statement and Financial Statements and authorise two Councillors to certify the Statements in their final form.
- Following consideration by the Administrators the “Financial Statement of Accounts” and the “Performance Statement”, together with a copy of the Council Resolution that nominates two Administrators and accepts the Statements “In Principle”, will be provided to the Auditor General.
- Under Section 134 of the *Local Government Act 1989*, as soon as practicable after the Annual Report has been sent to the Minister, the Council must hold a meeting to discuss the Annual Report, including the Annual Financial Statements and the Auditors Report.

Kathy Alexander, Chair, highlighted several minor changes to the Appendices pertaining to this report.

L Gardner moved, P Dorling seconded -

That Council:

- 1) gives approval in principle to the “Financial Statement of Accounts” (as per Appendix 1) and the “Performance Statement” (as per Appendix 2); and**
- 2) authorise two Administrators being the Chair, Dr K Alexander and L Gardner to certify the Statements subject to any changes recommended and agreed with the Auditor General.**

Carried.

Background

Under Section 131 of the Local Government Act 1989 (LGA), a Council must in respect of each financial year, prepare an Annual Report that includes audited Financial Statements and a Performance Statement for the financial year. These statements must be prepared in the prescribed manner and form and be certified by Council’s auditors. Council’s current auditors are Victorian Auditor Generals Office (VAGO).

Under section 131(4) of the Local Government Act, the Performance Statement must contain the prescribed indicators and measures of service performance outcome, financial performance and sustainable capacity.

In addition to the performance statement, council’s are also required to disclose:

- The prescribed indicators and measures of service performance, results achieved and any material variation explanation.
- A governance and management checklist.

Along with the Performance Statement indicators, these will also be required to be reported on the State Government ‘Know Your Council’ website.

The draft Financial Statements and Performance Statement have been reviewed by VAGO and there were no major issues of high risk identified in the draft closing audit report. VAGO representatives attended the Audit Advisory meeting on 5 September 2016 to present and discuss the 2015-16 Audit Management letter.

Under Section 132 of the LGA, Council is required to approve “in principle” the Statements prior to receiving final certification from the Auditor General. Council’s approval requires nominating two Administrators to certify those Statements, together with Chief Executive Officer and Principal Accounting Officer.

The Final Statements may then be subject to any changes recommended and agreed with VAGO. A final audit certification is then issued.

The Financial Statements and the Performance Statement form part of Council's Annual Report that must be submitted to the Minister within three months of the end of the financial year. Further, Council must also review the Annual Report in a meeting open to the public as soon as possible after the report is sent to the Minister.

Discussion

The Financial Statement of Accounts 2015-16 (refer Appendix 1) record a satisfactory period of operation with a favourable operating surplus, high closing cash balances and significant asset growth.

COMPREHENSIVE INCOME STATEMENT

The surplus result for 2015-16 of \$64.6m includes the following major items:

	\$m
▶ Early receipt of 2015-16 Grants Commission entitlement in 2014-15	(9.7)
▶ Non capital projects unspent amount	8.4
▶ Net Income/expenses	<u>(1.7)</u>
Recurrent Surplus	(3.0)
▶ Capital Grants Income/ Dev. Cap	24.0
▶ Recognition of Infrastructure less Disposals	37.9
▶ Other	<u>(1.3)</u>
Non Recurrent Surplus	60.6
SURPLUS/(DEFICIT) FOR THE YEAR	57.6
Net Asset revaluation (Land & Buildings) increment	7.0
TOTAL COMPREHENSIVE RESULT	64.6

This surplus result was \$1.4m favourable to adopted Budget and included the following favourable and unfavourable income and expenditure items (refer Note 2A - Appendix 1).

Income of \$369.1m was \$4.6m favourable to budget mainly due to:

- ▶ Unbudgeted rate income (\$1.2m favourable);
- ▶ Unbudgeted discretionary grants received (\$0.9m favourable);
- ▶ Unbudgeted and deferred capital Grants (\$2.0m favourable);
- ▶ Additional recognition of subdivision assets from Developers (\$5.7m favourable);
- ▶ Additional interest income (\$1.0m favourable); and
- ▶ Reduced loss on disposal of assets (\$1.2m favourable).

Offset by the following items:

- ▶ Grants Commission 50% received in June 2015 (\$9.7m unfavourable).

Expenditure of \$311.6m was \$3.2m unfavourable to Budget due to:

- ▶ Waste costs for utilisation of Wyndham landfill (\$3.6m unfavourable).

Offset by the following items:

- ▶ Reduced interest expense due to deferral of \$27.9m loans to 2016-17 (\$0.6m favourable).

BALANCE SHEET

The Balance Sheet shows that Council has a very strong asset position with over \$2.1 billion worth of assets that are used to provide services to the community.

Current Assets are \$102m which is predominately due to a slight decrease in cash balances with loans being deferred.

Current liabilities are \$61m which is predominately leave provisions and non current liabilities are \$47.6m due to the deferral of \$27.9m in loans during 2015-16 (total loan balance has decreased to \$54.8m).

STATEMENT OF CASH FLOWS

Council's cash position at the end of the year is \$87.2m, a decrease of \$4.7m from the prior year. This is due to:

- ▶ lower than expected Capital and Non Capital project expenditure with loans of \$27.9m deferred until 2016-17; and
- ▶ the early Grants Commission receipt of \$9.7m in June 2015.

The cash balance will provide funds to complete Capital and Non Capital projects carried over from 2015-16 and working capital to ensure service provision continues at the same levels in 2016-17.

STATEMENT OF CAPITAL WORKS

Council has an extensive capital works program to renew, upgrade and provide new assets to ensure the continuation and improvement of services provided to the community. Council spent \$84.2m on capital works in 2015-16 and included the following highlights:

	\$M
• Road replacement and construction	19.0
• Geelong Library and Heritage Centre	8.2
• Plant and Vehicles	6.1
• Shell Road Reserve Masterplan	3.6
• Drainage replacement and construction	3.5
• Corio Landfill Rehabilitation	3.1
• Footpath replacement and construction	3.0
• Innovation Drive	2.4
• Drysdale Landfill Cell 6	1.7
• Kerb & Channel replacement and construction	1.5
• Austin Park Redevelopment	1.4
• Building Renewal Works	1.4
• Myers St Unifying Streetscape	1.1
• Fyans Park Kindergarten	1.1
• PABX Replacement	0.9
• Lees Road Bridge Replacement	0.8
• Lara Recreation Reserve	0.6
• IT Asset Replacements	0.6
• Land Acquisition NSE Corio	0.6
• Melaluka Road Clubroom Upgrade	0.5
• Playground Development Program	0.5

Performance Statement as at 30 June 2016

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

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

The performance statement presents the actual results for the current year and for the prescribed financial performance indicators and measures, the results forecast by the Council's Strategic Resource Plan. The forecast figures included in the performance statement are those adopted by Council in its Strategic Resource Plan on 28 June 2016 and which form part of the Council plan. The results for 2015-16 are consistent with the results from the previous year.

The following indicators have not been reported on this year on the advice of the external auditor due to the issues with the migration to the MAV Child Development Information System:

- MC4 – Participation in the MCH service (defined as the percentage of children enrolled who participate in the MCH service).
- MC5 – Participation in the MCH service by Aboriginal children (defined as the percentage of children enrolled who participate in the MCH service).

The Performance Statement results and the Service Performance Indicators prescribed under the Local Government Performance Reporting Framework will be reported on the 'Know Your Council' website (www.knowyourcouncil.vic.gov.au).

In accordance with the requirements of Section 132 of the Local Government Act 1989 the nominated Principal Accounting Officer of Council, two Councillors (Administrators) and the Chief Executive Officer are required to sign the Performance Statement.

AUDIT

The external audit, conducted by the Victorian Auditor General's Office (VAGO), was completed on Friday, 5 August as per the audit plan. There were no major issues affecting the Financial Statements. A closing report summarising the Audit findings has been reviewed by the Audit Advisory Committee.

Environmental Implications

Incomes and Expenditures on Council's environmental preservation and enhancement programs are included in the Financial Statements.

Financial Implications

As detailed within accompanying financial statements – refer Appendix 1.

Policy/Legal/Statutory Implications

Under Section 131 of the Local Government Act the Council must in respect of each year prepare an Annual Report, which includes audited financial statements for the financial year.

Under Section 131 a Council must not submit the Financial Statements to its auditors or the Minister unless it has passed a resolution giving approval "in Principle" to the statements.

Under Section 131 a Council must authorise two Councillors to certify the Statements in their final form after any changes recommended, or agreed to with the auditor.

The actions outlined in this report are aimed at complying with the requirements of the Act.

Alignment to City Plan

The Financial Statements and the Performance Statement highlight that 2015-16 Council operations have been managed in a responsible manner. The results contribute to responsible and sustainable financial management as aligned in Council's City Plan objective on the How We Do Business.

Officer Direct or Indirect Interest

Council staff preparing this report have no direct or indirect interest.

Risk Assessment

The Statements are released as a draft and are still subject to being signed off by the Auditor General.

Social Considerations

The attached report represents a full and open disclosure of the financial position for the benefit of the community.

Human Rights Charter

There are no known positive or negative effects.

Consultation and Communication

The Financial Statement of Accounts and the Performance Statement will be available to the public as part of the published Annual report and accessible via www.geelongaustralia.com.au.

The prescribed indicators and measures of service performance outcome, financial performance and sustainable capacity as per section 131(3) and 131(4) of the Local Government Act 1989 will also be available on the State Government 'Know Your Council' website from November 2016.

CITY OF GREATER GEELONG
ANNUAL FINANCIAL REPORT

For the Year Ended 30 June 2016

City of Greater Geelong
Financial Report
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Comprehensive Income Statement For the Year Ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Income			
Rates and charges	3	195,608	181,903
Statutory fees and fines	4	11,997	11,347
User fees	5	55,533	52,541
Grants - operating	6	38,297	57,114
Grants - capital	6	20,637	20,232
Contributions - monetary	7	3,394	3,921
Contributions - non monetary	7	40,247	39,761
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	8	(1,967)	(4,444)
Share of net profits/(losses) of associates	16	(362)	1,723
Other income	9	5,754	4,965
Total income		<u>369,138</u>	<u>369,063</u>
Expenses			
Employee costs	10	135,950	128,543
Materials and services	11	96,014	89,696
Bad and doubtful debts	12	762	763
Depreciation	13	51,982	49,321
Borrowing costs	14	2,858	2,674
Other expenses	15	24,013	21,760
Total expenses		<u>311,579</u>	<u>292,757</u>
Surplus/(deficit) for the year		<u>57,559</u>	<u>76,306</u>
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	22	7,058	(2,612)
Total comprehensive result		<u>64,617</u>	<u>73,694</u>

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

Balance Sheet
As at 30 June 2016

	Note	2016 \$'000	2015 \$'000
Assets			
Current assets			
Cash and cash equivalents	17	6,596	13,106
Trade and other receivables	18	10,948	10,342
Other financial assets	19	80,640	78,813
Inventories	20	963	944
Other assets	21	2,826	1,277
Total current assets		101,973	104,482
Non-current assets			
Trade and other receivables	18	1,547	1,507
Investments in associates and joint ventures	16	11,408	12,000
Other financial assets	19	230	-
Property, infrastructure, plant and equipment	22	2,065,315	2,005,387
Total non-current assets		2,078,500	2,018,894
Total assets		2,180,473	2,123,376
Liabilities			
Current liabilities			
Trade and other payables	23	23,137	21,426
Trust funds and deposits	24	4,075	3,500
Provisions	25	43,292	43,652
Interest-bearing loans and borrowings	26	10,296	10,729
Total current liabilities		80,801	79,308
Non-current liabilities			
Provisions	25	2,875	2,623
Interest-bearing loans and borrowings	26	44,479	53,745
Total non-current liabilities		47,354	56,367
Total liabilities		128,155	135,675
Net assets		2,052,318	1,987,701
Equity			
Accumulated surplus		1,154,230	1,102,391
Asset Revaluation Reserve	27 a	829,246	822,188
Other Reserve	27 b	68,842	63,122
Total Equity		2,052,318	1,987,701

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

Statement of Changes in Equity For the Year Ended 30 June 2016

2016	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		1,987,701	1,102,391	822,188	63,122
Surplus/(deficit) for the year		57,559	57,559	-	-
Net asset revaluation increment/(decrement)	27(a)	7,058	-	7,058	-
Transfers to other reserves	27(b)	-	(63,452)	-	63,452
Transfers from other reserves	27(b)	-	57,732	-	(57,732)
Balance at end of the financial year		2,052,318	1,154,230	829,246	68,842

2015		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		1,914,007	1,033,794	824,800	55,413
Surplus/(deficit) for the year		76,306	76,306	-	-
Net asset revaluation increment/(decrement)	27(a)	(2,612)	-	(2,612)	-
Transfers to other reserves	27(b)	-	(60,120)	-	60,120
Transfers from other reserves	27(b)	-	52,411	-	(52,411)
Balance at end of the financial year		1,987,701	1,102,391	822,188	63,122

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

Statement of Cash Flows
For the Year Ended 30 June 2016

	Note	2016 Inflows/ (Outflows) \$'000	2015 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		194,332	181,108
Statutory fees and fines		-	-
User fees		70,405	68,083
Grants - operating		38,495	57,301
Grants - capital		23,785	22,651
Contributions - monetary		3,394	3,921
Interest received		2,572	2,609
Trust funds and deposits taken		-	-
Other receipts		-	-
Net GST refund		12,343	14,909
Employee costs		(127,476)	(120,369)
Materials and services		(136,227)	(136,126)
Trust funds and deposits repaid		-	-
Other payments		-	-
Net cash provided by/(used in) operating activities	28	<u>81,623</u>	<u>94,087</u>
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(84,173)	(106,731)
Proceeds from sale of property, infrastructure, plant and equipment		10,469	4,094
Payments for investments		(173,547)	(163,345)
Proceeds from sale of investments		171,720	159,405
Net cash provided by/(used in) investing activities		<u>(75,531)</u>	<u>(106,577)</u>
Cash flows from financing activities			
Finance costs		(2,904)	(2,645)
Proceeds from borrowings		-	37,600
Repayment of borrowings		(9,698)	(9,756)
Net cash provided by/(used in) financing activities		<u>(12,602)</u>	<u>25,199</u>
Net increase / (decrease) in cash and cash equivalents		(6,510)	12,709
Cash and cash equivalents at the beginning of the financial year		13,106	397
Cash and cash equivalents at the end of the financial year	29	<u>6,596</u>	<u>13,106</u>
Financing arrangements	30		
Restrictions on cash assets	17		

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

Statement of Capital Works
For the Year Ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Property			
Land		1,409	573
Land improvements		-	-
Total land		<u>1,409</u>	<u>573</u>
Buildings		13,488	46,046
Heritage Buildings		-	41
Leasehold improvements		-	128
Total buildings		<u>13,488</u>	<u>46,215</u>
Total property		<u>14,897</u>	<u>46,788</u>
Plant and equipment			
Plant, machinery and equipment		5,346	4,537
Fixtures, fittings and furniture		63	605
Computers and telecommunications		2,948	1,234
Total plant and equipment		<u>8,357</u>	<u>6,376</u>
Infrastructure			
Roads		26,385	23,535
Footpaths and cycleways		4,012	3,769
Drainage		3,981	3,699
Recreational, leisure and community facilities		14,427	9,052
Waste management		6,085	8,079
Parks, open space and streetscapes		245	417
Other infrastructure		5,784	5,016
Total infrastructure		<u>60,919</u>	<u>53,567</u>
Total capital works expenditure		<u>84,173</u>	<u>106,731</u>
Represented by:			
New asset expenditure		40,154	73,546
Asset renewal expenditure		32,291	23,918
Asset upgrade expenditure		11,728	9,267
Total capital works expenditure		<u>84,173</u>	<u>106,731</u>

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

Introduction

The City of Greater Geelong was established under the City of Greater Geelong Act 1993 on 18 May 1993, and is a body corporate. The Council's main office is located at 30 Gheringhap Street Geelong.

Statement of compliance

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

Note 1 Significant accounting policies

(a) Basis of accounting

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to note 1 (m)).
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to note 1 (n)).
- the determination of employee provisions (refer to note 1 (t)).

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

(b) Changes in accounting policies

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

(c) Principles of consolidation

The consolidated financial statements of Council incorporate all entities controlled by Council as at 30 June 2016, 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 the 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.

As at 30 June 2016 there were no entities consolidated into Council.

(d) Committees of management

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

Note 1 Significant accounting policies (cont.)

(e) Accounting for investments in associates

Associates

Associates are all entities over which Council has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

The Council has an interest in the Geelong Regional Library Corporation. It is recorded as non current investments with Council's share of net assets being recognised.

Regional Food Kitchen is no longer recorded as an investment in associates. The unlisted shares in this company are recorded as other financial assets (\$230K) and the previously recorded surplus has been reversed (\$1,160K).

(f) Revenue recognition

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

Rates and Charges

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

Statutory fees and fines

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

User fees

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

Grants

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

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

Contributions

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

Sale of property, infrastructure, plant and equipment

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

Interest

Interest is recognised as it is earned.

Other Income

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

Note 1 Significant accounting policies (cont.)

(g) Fair value measurement

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

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

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

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

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

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

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

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

(h) Cash and cash equivalents

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

(i) Trade and other receivables

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

(j) Other financial assets

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

(k) Inventories

Inventories held for distribution are measured at cost adjusted when applicable for any loss of service potential. Inventories are measured at the lower of cost and net realisable value.

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.

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

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

(m) Recognition and measurement of property, plant and equipment, infrastructure

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 amount for which the asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

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 Asset Accounting Policy, the threshold applied when recognising assets within an applicable asset class is \$1,000 which is consistent with prior years.

Note 1 Significant accounting policies (cont.)

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

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use on an asset result in changes to the permissible or practical highest and best use of the asset. Further details regarding the fair value hierarchy are disclosed at Note 22, Property, infrastructure, plant and equipment, and infrastructure.

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from two to five years. The valuation is performed either by experienced Council officers or independent experts.

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

Land under roads

Council does not recognise the value of land under roads it controlled prior to 1 July 2008. Land under roads acquired after 30 June 2008 is brought to account using the fair value basis.

(n) Depreciation of property, infrastructure and plant and equipment

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

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

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

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

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

Note 1 Significant accounting policies (cont.)

(n) Depreciation of property, infrastructure and plant and equipment (cont'd)

<i>Asset depreciation periods</i>	Depreciation Period
Buildings	50 years
Plant and Equipment	
Heavy Plant and Equipment, Commercial Vehicles	10 years
Furniture and Fittings	10 years
Personal Computers	3 years
Computer Equipment	4-5 years
Software	4-5 years
Light Motor Vehicles	5-7 years
Infrastructure	
Road Spray Seal	12 years
Road Asphalt Seal	25 years
Road Pavement	80 years
Drainage	100 years
Kerbs and Channel	60 years
Footpaths and Bikepaths	50 years
Recreation	7-80 years

(o) Repairs and maintenance

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

(p) Impairment of assets

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

Note 1 Significant accounting policies (cont.)

(q) Trust funds and deposits

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited (refer to Note 24).

(r) Borrowings

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

Borrowing costs

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

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

(s) Employee costs and benefits

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

Wages and salaries and annual leave

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

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

Long service leave

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

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

The components of this current liability are measured at :

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

Classification of employee costs

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

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

(t) Landfill rehabilitation provision

Council is obligated to restore the Corio Landfill site to an EPA standard. This site is already closed. The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to reinstate the site to meet the standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

Note 1 Significant accounting policies (cont.)

(u) Leases

Operating leases

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

Leasehold improvements

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

(v) Goods and Services Tax (GST)

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

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

(w) Contingent assets and contingent liabilities and commitments

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

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

(x) Financial guarantees

Financial guarantee contracts are not recognised as a liability in the balance sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe that it is probable that the right will be exercised. Details of guarantees that Council has provided, that are not recognised in the balance sheet are disclosed at Note 33 Contingent Liabilities and Contingent Assets.

(y) Pending accounting standards

Certain new AAS's have been issued that are not mandatory for the 30 June 2016 reporting period. Council has assessed these pending standards and has identified that no material impact will flow from the application of these standards in future reporting periods.

(z) Rounding

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

Note 2 Budget comparison

The budget comparison notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 10 percent or \$7.0 million 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 23 June 2015. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for revenue and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

a) Income and Expenditure

	Budget 2016 \$'000	Actual 2016 \$'000	Variance 2016 \$'000	Ref
Income				
Rates and charges	194,390	195,608	1,218	
Statutory fees and fines	11,683	11,997	314	
User fees	55,240	55,533	293	
Grants - operating	47,090	38,297	(8,793)	1
Grants - capital	18,614	20,637	2,023	2
Contributions - monetary	3,010	3,394	384	3
Contributions - non monetary	34,500	40,247	5,747	4
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	(3,211)	(1,967)	1,244	5
Share of net profits/(losses) of associates and joint ventures	-	(362)	(362)	6
Other income	3,178	5,754	2,576	7
Total income	364,493	369,138	4,645	
Expenses				
Employee costs	136,484	135,950	534	
Materials and services	94,665	96,014	(1,349)	
Bad and doubtful debts	720	762	(42)	
Depreciation and amortisation	53,035	51,982	1,053	
Borrowing costs	3,487	2,858	628	8
Other expenses	19,921	24,013	(4,092)	9
Total expenses	308,313	311,579	(3,267)	
Surplus/(deficit) for the year	56,181	57,559	1,378	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Grants - operating	Grants Commission early receipt of 50% of 2015/16 allocation (\$9.7M), Unbudgeted discretionary grants in Family Services (\$0.1M), Environment (\$0.4M) and Roads (\$0.4M).
2	Grants - capital	Grants which had been delayed from previous years were received for Fyans Park Kindergarten (\$0.4M), and Shell Road Reserve Masterplan (\$2.6 M) while Leopold Community Hub was deferred (\$3.0M) These were offset by receipt of unbudgeted grants for Roads & Transport projects (\$0.7M), Environmental projects (\$0.3M) and Family Services facilities (\$0.3M).
3	Contributions - Monetary	Early receipt of developer infrastructure levies and community infrastructure levies for the Armstrong Creek DCPS.
4	Contributions - Non Monetary	Increased subdivision assets (\$5.0M) in the Armstrong Creek Precincts.
5	Net gain/(loss) on disposal of property, infrastructure, plant and equipment	Value of Infrastructure assets replaced was less than Budget (\$0.7M) and a number of property sales in the GREP were realised that had not been budgeted for (\$0.7M).
6	Share of net profits/(losses) of associates and joint ventures	Council do not budget for a result in Investments in Associates. Regional Food Kitchen is no longer accounted for using the equity method.
7	Other income	Additional Interest income (\$1.0M), rebate for electrical work in Innovation Drive (\$0.2M), neighbouring council contribution to bridge replacement (\$0.3) and outside finding for regional paddle board pavilion (\$0.1M).
8	Borrowing costs	Deferral of loan borrowings into 2016-17 (\$27.9M) reducing interest expense
9	Other expenses	Council incurred additional costs due to using Wyndham Landfill (\$3.6M), increased marketing and advertising costs (\$0.2M) and impairment loss (\$0.4M)

Note 2 Budget comparison (cont)

b) Capital Works

	Budget 2016 \$'000	Actual 2016 \$'000	Variance 2016 \$'000	Ref
Property				
Land	4,200	1,409	(2,791)	1
Land improvements	-	-	-	
Total Land	4,200	1,409	(2,791)	
Buildings	21,877	13,488	(8,389)	2
Heritage buildings	-	-	-	
Leasehold improvements	-	-	-	
Total Buildings	21,877	13,488	(8,389)	
Total Property	26,077	14,897	(11,180)	
Plant and Equipment				
Plant, machinery and equipment	6,278	5,346	(932)	
Fixtures, fittings and furniture	-	63	63	
Computers and telecommunications	1,933	2,948	1,015	3
Total Plant and Equipment	8,211	8,357	146	
Roads and Infrastructure				
Roads	19,729	26,385	6,656	4
Footpaths and cycleways	3,532	4,012	480	
Drainage	4,399	3,981	(418)	
Recreational, leisure and community facilities	13,771	14,427	656	
Waste management	2,696	6,085	3,389	5
Parks, open space and streetscapes	-	245	245	
Other infrastructure	6,370	5,784	(586)	
Total Infrastructure	50,497	60,919	10,422	
Total Capital Works Expenditure	84,785	84,173	(612)	
Represented by:				
New asset expenditure	45,592	40,154	(5,438)	
Asset renewal expenditure	29,233	32,291	3,058	
Asset upgrade expenditure	9,960	11,728	1,768	
Total Capital Works Expenditure	84,785	84,173	(612)	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	Delay in land acquisitions in Armstrong Creek, Lara West and Jetty Rd.
2	Buildings	Delay in Leopold Community Hub \$6.0M and Hendy St Children's Hub \$2.0M
3	Computers and telecommunications	Deferred spending from 2014-215 for PABX system \$0.7M and Maintenance Management System \$0.2M.
4	Roads	Additional Federal funding for Roads To Recovery Projects \$1.3M, additional Vic Roads funding \$0.7M, unbudgeted works in Geelong Ring Rd Employment Precinct \$2.5 and funding transferred from Drainage Construction to Road Surfacing \$1.4M.
5	Waste management	Deferred spending from 2014-15 for Corio Landfill rehabilitation \$3.1M and Drysdale Landfill Cell 6 \$1.7M, offset by delay in Drysdale Landfill - Leachate Management \$0.9M and Composting Site Setup Works \$0.5.

	2016 \$'000	2015 \$'000
Note 3 Rates and charges		
Council uses Capital Improved Values as the basis of valuation of all properties within the municipal district. The Capital Improved Value of a property is the total market value of the land plus buildings and other improvements.		
The valuation base used to calculate general rates for 2015/16 was \$47,380 million (2014/15 \$45,927 million).		
General Rates	154,470	143,887
Municipal charge	10,877	10,290
Waste management charge	26,747	25,004
Special rates and charges	1,560	1,591
Supplementary rates and rate adjustments	1,743	922
Cultural and recreational	211	207
Total rates and charges	195,608	181,903

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

Note 4 Statutory fees and fines

Infringements and costs	4,253	4,056
Court recoveries	687	607
Town planning fees	1,535	1,475
Land information certificates	238	195
Permits	2,293	2,056
Registrations	2,991	2,958
Total statutory fees and fines	11,997	11,347

Note 5 User fees

Aged services	2,481	2,996
Leisure centre and recreation	16,276	15,923
Family and Children's Services	6,841	5,264
Parking	9,366	8,764
Building services	2,108	2,034
Waste management services	8,231	8,017
Arts and Culture	311	345
Environment	93	116
Local Laws	146	110
National Wool Museum	708	687
Parks	699	622
Rental and Leasing	3,575	4,163
Road Works	1,637	1,867
Other fees and charges	3,061	1,633
Total user fees	55,533	52,541

	2016	2015
	\$'000	\$'000
Note 6 Grants		
Grants were received in respect of the following :		
Summary of grants		
Commonwealth funded grants	25,187	45,446
State funded grants	33,747	31,899
Total	<u>58,934</u>	<u>77,345</u>
Operating Grants		
<i>Recurrent - Commonwealth Government</i>		
Victoria Grants Commission	9,499	29,127
Family Services	6,537	5,404
General home care	1,762	1,670
Other	397	532
<i>Recurrent - State Government</i>		
Aged care	11,937	11,685
School crossing supervisors	579	599
Family Services	5,528	4,237
Environment	876	972
Roads	429	1,693
Other	754	1,196
Total recurrent operating grants	<u>38,297</u>	<u>57,114</u>
Total operating grants	<u>38,297</u>	<u>57,114</u>
Capital Grants		
<i>Recurrent - Commonwealth Government</i>		
Roads to recovery	4,318	1,511
Total recurrent capital grants	<u>4,318</u>	<u>1,511</u>
<i>Non-recurrent - Commonwealth Government</i>		
Buildings	2,675	7,050
Arts	-	13
Recreation	-	140
<i>Non-recurrent - State Government</i>		
Roads	1,242	1,990
Recreation	2,746	1,502
Buildings	8,794	6,900
Other	863	1,126
Total non-recurrent capital grants	<u>16,320</u>	<u>18,720</u>
Total capital grants	<u>20,637</u>	<u>20,232</u>
Unspent grants received on condition that they be spent in a specific manner		
Balance at start of year	250	340
Grants recognised as revenue during the year that were obtained on condition that they be expended in a specified manner that had not occurred at balance date were:	-	2,510
Grants which were recognised as revenue in prior years and were expended during the current year in the manner specified by the grantor were:	90	340
Net increase/(decrease) in restricted assets resulting from grant revenues for the year:	<u>2,260</u>	<u>(250)</u>

	2016 \$'000	2015 \$'000
Note 7 Contributions		
Monetary	3,394	3,921
Non-monetary	40,247	39,761
Total contributions	43,641	43,682
<i>Contributions of non monetary assets were received in relation to the following asset classes:</i>		
Land	8,974	4,748
Infrastructure	31,274	35,013
	40,247	39,761
Note 8 Net gain/(loss) on disposal of property, infrastructure, plant and equipment		
Proceeds of sale	10,469	4,094
Written down value of assets disposed	(12,436)	(8,538)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	(1,967)	(4,444)
Note 9 Other income		
Interest	2,572	2,609
Other	3,182	2,356
Total other income	5,754	4,965
Note 10 (a) Employee costs		
Wages and salaries	117,475	111,190
WorkCover	1,681	1,651
Casual staff / Supplementary Labour	5,207	5,020
Superannuation	10,642	9,770
Fringe benefits tax	789	838
Other	156	73
Total employee costs	135,950	128,543

Note 10 (b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	1,180	1,291
Employer contributions - other funds	-	-
	1,180	1,291

Employer contributions payable at reporting date. - -

Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	6,912	6,464
Employer contributions - other funds	2,987	2,427
	9,899	8,891

Employer contributions payable at reporting date. - -

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

Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2016, this was 9.5% required under Superannuation Guarantee Legislation (for 2014/15, this was 9.5%)).

Defined Benefit

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

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

	2016	2015
	\$'000	\$'000
Note 11 Materials and services		
Materials	8,229	7,974
Contract payments	36,012	33,464
Building maintenance	4,474	3,725
Plant/Equipment/Vehicle Costs	6,938	6,528
Utilities	8,852	8,674
Office administration	6,586	5,817
Information Technology	1,965	1,797
Insurance	1,857	1,720
Levies	13,064	14,322
Consultants	3,369	3,701
WIP Expensed	4,668	1,974
Total materials and services	96,014	89,696
Note 12 Bad and doubtful debts		
Parking fine debtors	810	770
Other debtors	(48)	(8)
Total bad and doubtful debts	762	763
Note 13 Depreciation		
Property	9,393	8,257
Plant and equipment	5,754	5,830
Infrastructure	36,835	35,234
Total depreciation	51,982	49,321
<i>Refer to note 22 for a more detailed breakdown of depreciation charges</i>		
Note 14 Borrowing costs		
Interest - Borrowings	2,858	2,674
Total borrowing costs	2,858	2,674
Note 15 Other expenses		
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	81	83
Councillors' allowances	465	546
Landfill Provision	1,168	1,132
Contributions	3,815	4,478
Other	3,405	3,231
Impairment Loss	500	1,763
Waste Disposal and Recycling	8,938	5,238
Marketing, Promotion and Advertising	1,589	1,729
Events and Functions	800	828
Operating lease rentals	3,254	2,731
Total other expenses	24,013	21,760

Note 16 Investment in associates, joint arrangements and subsidiaries

a) Investments in associates

Investments in associates accounted for by the equity method are:

Geelong Regional Library Corporation	11,408	10,610
Regional Kitchen Pty Ltd	-	1,390
	<u>11,408</u>	<u>12,000</u>

Geelong Regional Library Corporation

Background

Principal activity is to provide Library Services to member municipalities. Council holds 87.91% (2014 86.49%) of equity in the corporation. Council has four directors on the Board of seven. Council has the ability to influence rather than control its operations. Incorporated in Australia.

Fair value of Council's investment in Geelong Regional Library Corporation	<u>11,408</u>	<u>10,610</u>
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Council's share of accumulated surplus/(deficit)

Council's share of accumulated surplus/(deficit) at start of year	7,275	5,633
Reported surplus/(deficit) for year	798	1,642
Council's share of accumulated surplus/(deficit) at end of year	<u>8,073</u>	<u>7,275</u>

Movement in carrying value of specific investment

Carrying value of investment at start of year	10,610	8,968
Share of surplus/(deficit) for year	798	1,642
Carrying value of investment at end of year	<u>11,408</u>	<u>10,610</u>

Regional Kitchen Pty Ltd

Background

City of Greater Geelong Shareholding was 8.07% of ordinary shares. Incorporated in Australia. #

Fair value of Council's investment in RFK Pty Ltd	<u>-</u>	<u>1,390</u>
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Council's share of Equity Contribution

Council's share of equity contribution at beginning of financial year	230	230
Council's share of equity contributions made during the year	-	-
Council's share of equity contribution at end of financial year	<u>230</u>	<u>230</u>

Council's share of accumulated surplus/(deficit)

Council's share of accumulated surplus/(deficit) at start of year	1,160	1,079
Reported surplus/(deficit) for year	-	81
Council's share of accumulated surplus/(deficit) at end of year	<u>1,160</u>	<u>1,160</u>

Movement in carrying value of specific investment

Carrying value of investment at start of year	1,390	1,309
Share of surplus/(deficit) for year	-	1,160
Share of equity contribution for year	-	230
Carrying value of investment at end of year	<u>-</u>	<u>1,390</u>

Total Share of Net Profit /(Loss) in Associates

	<u>-</u>	<u>1,723</u>
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Due to a restructure of the Regional Kitchen the City of Greater Geelong has elected to change its accounting treatment from equity based to cost of shares purchased for the 2015-16 Annual Accounts - refer Note 1(e) and Note 19.

	2016	2015
	\$'000	\$'000
Note 17 Cash and cash equivalents		
Cash on hand	109	109
Cash at bank	6,487	12,997
Term deposits (maturity less than 90 days)	-	-
Total cash and cash equivalents	6,596	13,106
Term deposits (maturity greater than 90 days - refer Note 19 Other financial assets)	80,640	78,813
Total cash and cash equivalents and financial assets	87,236	91,919
Councils cash and cash equivalents and other financial assets are subject to external restrictions that limit amounts available for discretionary use. These include:		
- Trust funds and deposits (Note 24)	4,075	3,500
Total restricted funds	4,075	3,500
Total unrestricted cash and cash equivalents and other financial assets	83,161	88,419
Intended allocations		
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:		
- Cash held to fund carried forward capital works (Note 27)	60,200	56,200
- include details of other allocated amounts (Note 27)	8,642	6,922
Total funds subject to intended allocations	68,842	63,122
Refer also to Note 19 for details of other financial assets held by Council		

Note 18 Trade and other receivables

Current		
Rates debtors	2,472	2,221
Special rate assessment	340	184
Parking infringement debtors	7,691	6,956
Provision for doubtful debts - parking infringements	(6,242)	(5,598)
Other debtors	7,136	7,005
Provision for doubtful debts - other debtors	(449)	(426)
Total current trade and other receivables	10,948	10,342
Non-current		
Special rate scheme	128	177
Deferred Debtors	1,321	1,233
Loans and advances to community organisations	98	98
Total non-current trade and other receivables	1,547	1,507
Total trade and other receivables	12,495	11,849

a) Ageing of Receivables

At balance date other debtors representing financial assets were past due but not impaired. These amounts relate to a number of independent customers for whom there is no recent history of default. The ageing of the Council's trade & other receivables (excluding statutory receivables) was:

Current (not yet due)	4,499	3,466
Past due by up to 30 days	-	-
Past due between 31 and 180 days	156	2,969
Past due between 181 and 365 days	1	-
Past due by more than 1 year	-	-
Total trade & other receivables	4,655	6,435

b) Movement in provisions for doubtful debts

Balance at the beginning of the year	6,024	5,743
New Provisions recognised during the year	763	763
Amounts already provided for and written off as uncollectible	(572)	(572)
Amounts provided for but recovered during the year	91	91
Balance at end of year	6,306	6,024

c) Ageing of individually impaired Receivables

At balance date, other debtors representing financial assets with a nominal value of \$0.2M. (2015: \$0.2M) were impaired. The amount of the provision raised against these debtors was \$0.2M (2015: \$0.2M). The individual receivables have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

Current (not yet due)	1	-
Past due by up to 30 days	-	-
Past due between 31 and 180 days	70	41
Past due between 181 and 365 days	0	10
Past due by more than 1 year	101	193
Total trade & other receivables	172	244

	2016 \$'000	2015 \$'000
Note 19 Other financial assets		
Current		
Term deposits (maturity > 90 days)	80,640	78,813
Total	<u>80,640</u>	<u>78,813</u>
Non-current		
Unlisted Shares at Cost - Regional Kitchen Pty Ltd	230	-
Total	<u>230</u>	<u>-</u>
Total other financial assets	<u>80,870</u>	<u>78,813</u>
Note 20 Inventories		
Inventories held for distribution	679	650
Inventories held for sale	285	293
Total inventories	<u>963</u>	<u>944</u>
Note 21 Other assets		
Prepayments	549	458
Accrued income	2,254	594
Other	23	225
Total other assets	<u>2,826</u>	<u>1,277</u>

Note 22 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2016	Accumulated Depreciation	WDV 30 June 2016	At Fair Value 30 June 2015	Accumulated Depreciation	WDV 30 June 2015
Land	620,711	-	620,711	613,169	-	613,169
Buildings	285,824	6,289	279,535	247,469	13,051	234,418
Plant and Equipment	72,803	47,926	24,877	67,866	45,140	22,726
Infrastructure	1,910,453	820,047	1,090,406	1,810,583	757,992	1,052,591
Work in progress	49,786	-	49,786	82,483	-	82,483
	<u>2,939,577</u>	<u>874,262</u>	<u>2,065,315</u>	<u>2,821,570</u>	<u>816,183</u>	<u>2,005,387</u>

Summary of Work in Progress

	Opening WIP	Additions	Transfers	Write Offs	Closing WIP
Buildings	36,732	4,254	36,150	-	4,836
Plant and Equipment	624	740	621	-	743
Infrastructure	45,127	20,717	16,937	4,700	44,207
Total	<u>82,483</u>	<u>25,711</u>	<u>53,708</u>	<u>4,700</u>	<u>49,786</u>

Net Asset Revaluation increment / (decrement) 7,058

Note 22 Property, infrastructure plant and equipment (cont'd)

Note	Land - specialised	Land - non specialised	Land under Roads	Total Land	Heritage Buildings	Buildings - specialised	Buildings - non specialised	Leasehold Improvements	Total Buildings	Work In Progress	Total Property
At fair value 1 July 2015	554,283	47,244	11,642	613,169	30,536	176,351	38,349	2,233	247,469	36,732	897,370
Accumulated depreciation at 1 July 2015	0	0	0	0	(1,394)	(8,374)	(2,385)	(898)	(13,051)	0	(13,051)
	554,283	47,244	11,642	613,169	29,142	167,977	35,964	1,335	234,418	36,732	884,319
Movements in fair value											
Acquisition of assets at fair value	9,302	0	1,198	10,500	478	13,144	1,436	90	15,148	4,254	29,902
Revaluation increments/decrements	(800)	5,113	(2,579)	1,734	(634)	(7,544)	(2,666)	0	(10,844)	0	(9,110)
Fair value of assets disposed	(960)	(3,733)	0	(4,693)	0	(1,995)	(178)	0	(2,173)	0	(6,866)
Transfers	1	0	0	1	103	35,574	548	0	36,225	(36,150)	76
	7,543	1,380	(1,381)	7,542	(53)	39,179	(860)	90	38,356	(31,896)	14,002
Movements in accumulated depreciation											
Depreciation and amortisation	0	0	0	0	(977)	(6,589)	(1,827)	(215)	(9,608)	0	(9,608)
Accumulated depreciation revaluation reversal	0	0	0	0	1,871	11,096	3,201	0	16,168	0	16,168
Accumulated depreciation of disposals	0	0	0	0	0	174	27	0	201	0	201
Transfers	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	894	4,681	1,401	(215)	6,761	0	6,761
At fair value 30 June 2016	561,826	48,624	10,261	620,711	30,483	215,530	37,489	2,323	285,825	4,836	911,372
Accumulated depreciation at 30 June 2016	0	0	0	0	(500)	(3,693)	(984)	(1,113)	(6,290)	0	(6,290)
	561,826	48,624	10,261	620,711	29,983	211,837	36,505	1,210	279,535	4,836	905,082

Note 22 Property, infrastructure plant and equipment (cont'd)

Plant and Equipment	Note	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Works in Progress	Total plant and equipment
At fair value 1 July 2015		31,134	12,638	24,094	624	68,490
Accumulated depreciation at 1 July 2015		(14,848)	(9,599)	(20,693)	0	(45,140)
		16,286	3,039	3,401	624	23,350
Movements in fair value						
Acquisition of assets at fair value		5,288	726	2,227	740	8,981
Revaluation increments/decrements		0	0	0	0	0
Fair value of assets disposed		(3,738)	0	(187)	0	(3,925)
Impairment losses recognised in operating result		0	0	0	0	0
Transfers		38	131	452	(621)	0
		1,588	857	2,492	119	5,056
Movements in accumulated depreciation						
Depreciation and amortisation		(3,362)	(522)	(1,655)	0	(5,539)
Accumulated depreciation of disposals		2,566	0	187	0	2,753
Impairment losses recognised in operating result		0	0	0	0	0
Transfers		0	0	0	0	0
		(796)	(522)	(1,468)	0	(2,786)
At fair value 30 June 2016		32,722	13,495	26,586	743	73,546
Accumulated depreciation at 30 June 2016		(15,644)	(10,121)	(22,161)	0	(47,926)
		17,078	3,374	4,425	743	25,620

Note 22 Property, infrastructure, plant and equipment (cont'd)

Infrastructure	Note	Road Seal	Road Pavement	Footpaths and cycleways	Drainage	Recreational, leisure and Community	Kerb & Channel	Roads Other	Other Infrastructure	Work In Progress	Total Infrastructure
At fair value 1 July 2015		160,361	496,429	207,243	404,614	139,096	195,181	137,432	70,227	45,127	1,855,710
Accumulated depreciation at 1 July 2015		(72,845)	(204,889)	(109,908)	(115,708)	(40,088)	(112,434)	(59,830)	(42,290)	0	(757,992)
		87,516	291,540	97,335	288,906	99,008	82,747	77,602	27,937	45,127	1,097,718
Movements in fair value											
Acquisition of assets at fair value		12,913	10,282	7,073	15,199	5,495	5,468	4,487	1,119	20,717	82,753
Revaluation increments/decrements		0	0	0	0	0	0	0	0	0	0
Fair value of assets disposed		(4,883)	(2,521)	(2,458)	(1,174)	(229)	(865)	(945)	0	0	(13,075)
Impairment losses recognised in operating result		0	0	0	0	0	0	0	0	0	0
Unrecognised Assets(Valued at WDV)		0	0	0	790	0	0	0	0	0	790
Transfers		816	1,791	2,210	3,215	1,485	529	1,605	5,209	(21,637)	(4,777)
		8,846	9,552	6,825	18,030	6,751	5,132	5,147	6,328	(920)	65,691
Movements in accumulated depreciation											
Depreciation and amortisation		(5,966)	(5,976)	(4,366)	(4,313)	(6,399)	(3,295)	(3,248)	(3,270)	0	(36,833)
Accumulated depreciation of disposals		3,155	1,226	2,076	649	196	719	517	0	0	8,538
Impairment losses recognised in operating result		0	0	0	0	0	0	0	0	0	0
Revaluation increments/decrements		0	0	0	0	0	0	0	0	0	0
Unrecognised Assets(Valued at WDV)		0	0	0	(120)	0	0	0	0	0	(120)
Transfers		0	0	0	(378)	0	0	0	0	0	(378)
		(2,811)	(4,750)	(2,290)	(4,162)	(6,203)	(2,576)	(2,731)	(3,270)	0	(28,793)
At fair value 30 June 2016		169,207	505,981	214,068	422,644	145,847	200,313	142,579	76,555	44,207	1,921,401
Accumulated depreciation at 30 June 2016		(75,656)	(209,639)	(112,198)	(119,870)	(46,291)	(115,010)	(62,561)	(45,560)	0	(786,785)
		93,551	296,342	101,870	302,774	99,556	85,303	80,018	30,995	44,207	1,134,616

Note 22 Property, infrastructure, plant and equipment (cont'd)

Valuation of land and buildings

Valuation of land and buildings were undertaken by Brian Robinson of Westlink Consulting, A.A.P.I.C.P.V Member no 970. 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 unserved) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

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

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2016 are as follows:

	Level 1	Level 2	Level 3
Land Non Specialised	-	48,624	-
Specialised land	-	-	561,826
Land Under Roads	-	-	10,261
Heritage buildings	-	-	29,983
Buildings Specialised	-	-	211,837
Building Non Specialised	-	36,505	-
Leasehold Improvements	-	-	1,210
Total	-	85,129	815,117

Valuation of infrastructure

Valuation of infrastructure assets has been determined in accordance with an agreed methodology and has been undertaken by the Asset Management Engineers.

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

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2016 are as follows:

	Level 1	Level 2	Level 3
Road Pavement	-	-	296,342
Road Seals	-	-	93,551
Road Others	-	-	80,018
Footpaths and cycleways	-	-	101,870
Drainage	-	-	302,774
Recreational, leisure and Open Space	-	-	99,556
Kerbs & Channels	-	-	85,303
Other infrastructure	-	-	30,995
Total	-	-	1,090,409

Note 22 Property, infrastructure, plant and equipment (cont'd)

2016
\$'000

2015
\$'000

Description of significant unobservable inputs into level 3 valuations

Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values of 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$5 and \$500 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 \$1,000 to \$5,500 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 5 years to 80 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 1 year 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.

Reconciliation of specialised land

Land under roads	10,261	11,642
Parks and reserves	561,826	554,283
Total specialised land	572,087	565,925

	2016 \$'000	2015 \$'000	
Note 23 Trade and other payables			
Trade payables	14,220	13,213	
Accrued expenses	8,917	8,213	
Total trade and other payables	23,137	21,426	
Note 24 Trust funds and deposits			
Refundable deposits	2,429	1,807	
Fire services levy	1,645	1,692	
Total trust funds and deposits	4,075	3,500	
<i>Purpose and nature of items</i>			
Refundable deposits - Deposits are taken by Council as a form of surety in a number of circumstances, including in relation to building works, tender deposits, contract deposits and the use of civic facilities.			
Fire Service Levy - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received twenty-eight days after the rate instalment due date. Amounts disclosed here will be remitted to the State Government in line with that process.			
Note 25 Provisions			
	Corio Landfill restoration	Other	Total
	\$ '000	\$ '000	\$ '000
2016			
Balance at beginning of the financial year	16,683	879	17,563
Additional provisions	1,169	427	1,595
Amounts used	(3,173)	0	(3,173)
Balance at the end of the financial year	14,678	1,306	15,985
2015			
Balance at beginning of the financial year	18,100	879	18,979
Additional provisions	1,132		1,132
Amounts used	(2,549)	-	(2,549)
Balance at the end of the financial year	16,683	879	17,563
		2016 \$'000	2015 \$'000
(a) Employee provisions			
Current provisions expected to be wholly settled within 12 months			
Annual leave		8,616	8,472
Long service leave		2,570	2,536
Other		146	148
		11,332	11,156
Current provisions expected to be wholly settled after 12 months			
Annual leave		984	939
Long service leave		14,992	13,995
		15,975	14,934
Total current provisions		27,308	26,090
Non-current			
Long service leave		2,875	2,623
Total non-current provisions		2,875	2,623
Aggregate carrying amount of employee provisions:			
Current		27,308	26,090
Non-current		2,875	2,623
Total aggregate carrying amount of employee provisions		30,183	28,712

	2016 \$'000	2015 \$'000
Note 25 Provisions (cont'd)		
(b) Corio Land fill restoration		
Current	14,678	16,683
Non-current	-	-
	<u>14,678</u>	<u>16,683</u>
(c) Total Current Provisions		
Corio Landfill Restoration	14,678	16,683
Carbon Tax	1,306	879
Employee Provisions	27,308	26,090
Total Current Provisions	<u>43,292</u>	<u>43,652</u>
 Note 26 Interest-bearing loans and borrowings		
Current		
Borrowings	10,296	10,729
	<u>10,296</u>	<u>10,729</u>
Non-current		
Borrowings	44,479	53,745
Total	<u>54,775</u>	<u>64,473</u>
a) The maturity profile for Council's borrowings is:		
Not later than one year	10,296	10,729
Later than one year and not later than five years	26,749	30,913
Later than five years	17,730	22,831
	<u>54,775</u>	<u>64,473</u>
c) Aggregate carrying amount of interest-bearing loans and borrowings:		
Current	10,296	10,729
Non-current	44,479	53,745
	<u>54,775</u>	<u>64,473</u>

Note 27 Reserves

	Balance at beginning of reporting period	Increment (decrement)	Balance at end of reporting period
(a) Asset revaluation reserves	\$'000	\$'000	\$'000
2016			
Property			
Land and Buildings	535,879	7,058	542,937
Infrastructure			
Roads	169,144	-	169,144
Footpaths and cycleways	22,925	-	22,925
Drainage	94,240	-	94,240
	<u>286,309</u>	<u>-</u>	<u>286,309</u>
Total asset revaluation reserves	822,188	7,058	829,246
2015			
Property			
Land and Buildings	535,879	-	535,879
Infrastructure			
Roads	169,144	-	169,144
Footpaths and cycleways	25,537	(2,612)	22,925
Drainage	94,240	-	94,240
	<u>288,921</u>	<u>(2,612)</u>	<u>288,921</u>
Total asset revaluation reserves	824,800	(2,612)	822,188

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

Note 27 Reserves (cont'd)

	Balance at beginning of reporting period \$'000	Transfer to accumulated surplus \$'000	Transfer from accumulated surplus \$'000	Balance at end of reporting period \$'000
(b) Other reserves				
2016				
Car Parking Reserve	200			200
Public Open Space Reserve		1,237	1,237	-
Main Drainage Reserve		111	111	-
Deferred Works Reserve	56,200	56,200	60,200	60,200
Asset Development Reserve	268	43		225
Asset Redevelopment Reserve	690			690
DCP Reserve - Jetty Road Stage 1	1,809	36	(460)	1,313
DCP Reserve - Armstrong Creek East Precinct	1,522		1,379	2,901
DCP Reserve - Armstrong Creek West Precinct	526	1	270	795
DCP Reserve - Armstrong Creek HBP		11		(11)
DCP Reserve - Armstrong Creek Town Centre		8		(8)
DCP Reserve - Ocean Grove Growth Area	604		180	784
DCP Reserve - Lara West		2		(2)
S173 - Lonsdale Golf Club	11		12	23
Water Quality Levy	1,292	83	523	1,732
Total Other reserves	63,122	57,732	63,452	68,842
2015				
Car Parking Reserve	200			200
Public Open Space Reserve		1,198	1,198	-
Main Drainage Reserve		113	113	-
Deferred Works Reserve	50,000	50,000	56,200	56,200
Asset Development Reserve	268			268
Asset Redevelopment Reserve	690			690
DCP Reserve - Jetty Road Stage 1	2,036	314	87	1,809
DCP Reserve - Armstrong Creek East Precinct	812		710	1,522
DCP Reserve - Armstrong Creek West Precinct	64	786	1,248	526
DCP Reserve - Ocean Grove Growth Area	520		84	604
S173 - Lonsdale Golf Club			11	11
Water Quality Levy	823		469	1,292
Total Other reserves	55,413	52,411	60,120	63,122

Council maintains three statutory reserves (Car Parking, Public Open Space and Main Drainage) to record funds collected from developers under the Planning and Environment Act and Local Government Act. Council identifies, as part of the budget process, capital works relevant to these reserves and records the capital expenditure as settlement of the obligations created in collecting the levies.

Council maintains a Deferred Works Reserve to record the estimated amount of Capital Expenditure that is expected to complete the capital projects that were approved in the previous year's budget, but had not been completed at year end.

Council maintains an Asset Development Reserve to record funds provided to Council for development of coastal infrastructure.

Council has an Asset Redevelopment Reserve to record funds provided to Council for the Saleyards redevelopment.

Council maintains individual reserves to record funds for each of the Approved Developer Contribution Plans.

	2016 \$'000	2015 \$'000
Note 28 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus/(deficit) for the year	57,559	76,306
Depreciation/amortisation	51,982	49,321
Profit/(loss) on disposal of property, infrastructure, plant and equipment	1,967	4,444
Other non cash items	4,668	3,739
Contributions - Non-monetary assets	(40,917)	(40,145)
Other	362	(1,723)
Capital	3,173	2,549
Finance Costs	2,904	2,645
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(646)	(881)
(Increase) / decrease in prepayments	(1,549)	341
Increase/(decrease) in refunds and deposits	575	(1,464)
Increase/(decrease) in unearned income	-	-
Increase/(decrease) in trade and other payables	1,711	(1,499)
(Decrease)/increase in other liabilities	-	-
(Increase)/decrease in inventories	(19)	8
Increase/(Decrease) in provisions	(108)	447
Increase/(Decrease) Other	(39)	-
Net cash provided by/(used in) operating activities	<u>81,623</u>	<u>94,088</u>
Note 29 Reconciliation of cash and cash equivalents		
Cash and cash equivalents (see note 17)	<u>6,596</u>	<u>13,106</u>
Note 30 Financing arrangements		
Bank overdraft	<u>5,000</u>	<u>5,000</u>
Unused facilities	<u>5,000</u>	<u>5,000</u>

Note 31 Commitments

The Council has entered into the following commitments

2016	Not later than 1	Later than 1 year	Later than 2 years	Later than 5	Total
	year	and not later than 2 years	and not later than 5 years	years	
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Recycling	1,620	1,612	134	-	3,366
Open space management	318	-	-	-	318
Consultancies	1,073	711	337	-	2,121
Cleaning contracts for council buildings	204	-	-	-	204
Total	3,215	2,323	471	-	6,008
Capital					
Buildings	2,907	130	-	-	3,037
Total	2,907	130	-	-	3,037

2015	Not later than 1	Later than 1 year	Later than 2 years	Later than 5	Total
	year	and not later than 2 years	and not later than 5 years	years	
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Recycling	1,241	232	-	-	1,474
Open space management	636	133	-	-	769
Consultancies	1,265	640	149	-	2,054
Cleaning contracts for council buildings	612	-	-	-	612
Total	3,755	1,006	149	-	4,909
Capital					
Buildings	9,856	-	-	-	9,856
Total	9,856	-	-	-	9,856

	2016	2015
	\$'000	\$'000
Note 32 Operating leases		
(a) Operating lease commitments		
At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):		
Not later than one year	2,384	2,519
Later than one year and not later than five years	7,861	7,221
Later than five years	1,864	3,478
	12,109	13,218
(b) Operating lease receivables		
The Council has entered into commercial property leases on its investment property, consisting of surplus freehold office complexes. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 80 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:		
Not later than one year	1,817	2,698
Later than one year and not later than five years	4,020	6,917
Later than five years	3,847	26,149
	9,684	35,764

Note 33 Superannuation

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

Accumulation

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

Defined Benefit

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

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

Funding Arrangements

Council makes employer contributions to the defined benefit category of the Fund at rates determined by the trustee on the advice of the Fund's Actuary.

As at 30 June 2015, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contribution employer was 105.8%. To determine the VBI, the fund Actuary used the following long-term assumptions:

Net Investment returns	7.0%pa
Salary Information	4.25%pa
Price Inflation (CPI)	2.5%pa

Vision Super has advised that the estimated VBI at June 2016 was 102.0%

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

Employer Contributions

Regular Contributions

On the basis of the results of the 2015 interim actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2016, this rate was 9.5% of members' salaries (9.5% in 2014/15). This rate will increase in line with any increase to the contributions rate. In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

Funding Calls

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

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

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

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

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers. In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

2015 Interim actuarial investigation surplus amounts

The Fund's interim actuarial investigation as at 30 June 2015 identified the following in the defined benefit category of which Council is a contributing employer:

- A VBI surplus of \$130.8 million; and
- A total service liability of surplus of \$239 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 2015.

The total service liability surplus means that the current value of the assets in the Fund's defined benefit category plus expected future contributions exceeds the value of expected future benefits and expenses.

Council was notified of the 30 June 2015 VBI during August 2015.

Note 34 Contingent Liabilities and contingent assets

(a) Contingent Liabilities

Landfill

Council operates a landfill. Council will have to carry out site rehabilitation works in the future. At balance date Council is unable to accurately assess the financial implications of such works for the Drysdale facility but have provided for the rehabilitation of Corio Landfill.

Guarantees

	Balance 30 June 2016	
	\$'000	\$'000
Geelong Hockey Association	150	42
Bell Post Hill Sports & Recreation Club	130	0

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

(b) Contingent assets

In the course of creating new subdivisions, developers construct infrastructure assets which are vested with Council when Council issues a Statement of Compliance. These assets are brought to account as revenue (Contributions - Non Monetary Assets) and capitalised.

At reporting date, developers had commenced construction of assets that will eventually be transferred to the Council issuing a Statement of Compliance.

Council cannot reliably measure the value of assets involved prior to completion.

Note 35 Financial Instruments

(a) Objectives and policies

The Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables) and bank borrowings. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in Note 1 of the financial statements. Risk management is carried out by senior management under policies approved by the Council. These policies include identification and analysis of the risk exposure to Council and appropriate procedures, controls and risk minimisation.

(b) Market risk

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

Interest rate risk

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

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

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

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

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

(c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause us to make a financial loss. We have exposure to credit risk on some financial assets included in our balance sheet. To help manage this risk:

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

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

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

We may also be subject to credit risk for transactions which are not included in the balance sheet, such as when we provide a guarantee for another party. Details of our contingent liabilities are disclosed in note 33.

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

(d) Liquidity risk

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

To help reduce these risks Council:

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

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 34, 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 26.

Note 35 Financial Instruments (cont'd)

e) Fair value

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

Fair value hierarchy

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

(f) Sensitivity disclosure analysis

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

- A parallel shift of + 0.5% and -0.5% in market interest rates (AUD) from year-end rates of 1.75%.

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

Note 36 Related party transactions

(i) Responsible Persons

Names of persons holding the position of a Responsible Person at the Council at any time during the year are:

Councillors	Mayor Darryn Lyons Cr Srechko Kontelj (resigned 31 July 2015) Cr Bruce Harwood Cr Jan Farrell Cr Rod Macdonald Cr Kylie Fisher Cr Andy Richards Cr Eddy Kontelj Cr Ron Nelson Cr Tony Ansett Cr Michelle Heagney Cr John Irvine Cr Lindsay Ellis Cr Peter Murrhly (elected 20 October 2015)
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The Mayor and Councillors were dismissed from office by the Minister for Local Government on 15 April 2016.

Interim Administrator	Yehudi Blacher (appointed 16 April 2016, ceased appointment 24 May 2016)
Administrators	Dr Kathy Alexander (appointed 25 May 2016) Peter Dorling (appointed 25 May 2016) Laurinda Gardiner (appointed 25 May 2016)
Chief Executive Officer	Kelvin Spiller (commenced 23 June 2015)

(ii) Remuneration of Responsible Persons

The number of Responsible Persons whose total remuneration from Council and any related entities, excluding retirement benefits, fall within the following bands:

	2016 No.	2015 No.
\$1 - \$9,999	1	-
\$10,000 - \$19,999	4	-
\$20,000 - \$29,999	7	6
\$30,000 - \$39,999	3	4
\$40,000 - \$49,999	1	1
\$50,000 - \$59,999	1	1
\$150,000 - \$159,999	1	-
\$180,000 - \$189,999	-	1
\$280,000 - \$289,999	-	1
\$390,000 - \$399,999	1	-
	19	14

Total Remuneration for the reporting year for Responsible Persons included above amounted to:

970	877
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Note 36 Related party transactions (cont'd)

(iii) Senior Officers Remuneration

A Senior Officer other than a Responsible Person, is an officer of Council who:

- a) has management responsibilities and reports directly to the Chief Executive; or
- b) whose total annual remuneration exceeds \$139,000

The number of Senior Officers other than the Responsible Persons, are shown below in their relevant income bands:

Income Range:	2016 No.	2015 No.
\$30,000 - \$39,999	-	1
\$90,000 - \$99,999	1	-
\$130,000 - \$139,999	2	3
\$140,000 - \$149,999	12	5
\$150,000 - \$159,999	5	7
\$160,000 - \$169,999	9	10
\$170,000 - \$179,999	7	1
\$180,000 - \$189,999	2	4
\$190,000 - \$199,999	2	1
\$200,000 - \$209,999	2	1
\$220,000 - \$229,999	-	-
\$230,000 - \$239,999	1	2
\$240,000 - \$249,999	1	-
\$250,000 - \$259,999	3	-
\$260,000 - \$269,999	-	1
\$300,000 - \$309,999	1	-
\$320,000 - \$329,999	-	1
	<u>48</u>	<u>37</u>

Total Remuneration for the reporting year for Senior Officers included above, amounted to

8,320

6,302

(iv) Responsible persons retirement benefits

The aggregate amount paid during the reporting period by Council in connection with the retirement of responsible persons was Nil (2014/15 - Nil).

(v) Loans to responsible persons

No loans have been made, guaranteed or secured by the Council to a responsible person of the Council during the reporting period.

(vi) Transactions with responsible persons

The Council has entered into transactions with Responsible Persons and Related parties within normal customer or employee relationships.

An officer's spouse is the Managing Director of CT Management Group Pty Ltd who are a consulting company that provided services to Council during 2015-16 to the value of \$18,595.

Note 37 Events occurring after balance date

The Kardinia Park Trust came into effect from 1 July 2016.

All Council Owned assets within the trust precinct will be identified and transferred to the trust effective 1 July 2016.

A final transfer value cannot be determined at 30 June 2016 until resolution of any applicable asset apportionment.

Certification of the Financial Statements

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

Michael Kelly CPA
Principal Accounting Officer

Date : *06-September-2016*
Geelong

In our opinion the accompanying financial statements present fairly the financial transactions of City of Greater Geelong for the year ended 30 June 2016 and the financial position of the Council as at that date.

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

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

Dr Kathy Alexander
Administrator

Date : *06-September-2016*
Geelong

Laurinda Gardner
Administrator

Date : *06-September-2016*
Geelong

Kelvin Spiller
Chief Executive Officer

Date : *06-September-2016*
Geelong

2015-2016 Performance Statement

Performance Statement for the year ended 30 June 2016

Description of municipality

The City of Greater Geelong municipality is located some 75 kilometres from the Melbourne CBD. The municipality covers 1,247km², comprising country, coastal and suburban areas. Greater Geelong is bounded by the Moorabool Shire in the north, Wyndham City and the Borough of Queenscliffe in the east, Surf Coast Shire and Golden Plains Shire in the west and Bass Strait in the south.

The region is characterised by the Waterfront overlooking Corio Bay, the picturesque Bellarine Peninsula, the Barwon River, You Yangs Regional Park, wetlands, beautiful parklands and wildlife sanctuaries. Geelong is also the gateway to the world renowned coastline of south-west Victoria via the Great Ocean Road.

The municipality has a population of 229,420, and is expected to increase to 320,000 by 2036. It has a diverse economy with over 16,500 businesses and a labour force of approximately 110,000 people. Geelong's major industry strengths include: health; education and research; advanced manufacturing; defence; information and communications technology; tourism; and food and agriculture. Major industry sectors include health care and social assistance (13.6 per cent of the workforce), retail trade (12.7 per cent), manufacturing (11.3 per cent) and education and training (9.1 per cent).

Sustainable Capacity Indicators
For the year ended 30 June 2016

Ref	Indicator / Measure	Results		Material Variations
		2015	2016	
R15(3) Sch3 R16(1)	Population <i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$1,302.00	\$1,368.26	No material variations.
R17(2)	<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$6,190.00	\$6,296.77	No material variations.
	<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	103.00	104.16	No material variations.
	Own-source revenue <i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$1,103.00	\$1,172.06	No material variations.
	Recurrent grants <i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$261.00	\$185.75	Reduction in Commonwealth funded grants.
	Disadvantage <i>Relative socio-economic disadvantage</i> [Index of Relative Socio-economic Disadvantage by decile]	5.00	5.00	No material variations.
<p>Definitions</p> <p>"adjusted underlying revenue" means total income other than:</p> <ul style="list-style-type: none"> (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 <p>"infrastructure" means non-current property, plant and equipment excluding land</p> <p>"local road" means a sealed or unsealed road for which the council is the responsible road authority under the <i>Road Management Act 2004</i></p> <p>"population" means the resident population estimated by council</p> <p>"own-source revenue" means adjusted underlying revenue other than revenue that is not under the control of council (including government grants)</p> <p>"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</p> <p>"SEIFA" means the Socio-Economic Indexes for Areas published from time to time by the Australian Bureau of Statistics on its Internet website</p> <p>"unrestricted cash" means all cash and cash equivalents other than restricted cash.</p>				

Service Performance Indicators
For the year ended 30 June 2016

Ref	Service / Indicator / Measure	Results		Material Variations
		2015	2016	
R15(1) Sch3 R16(1) R17(2)	Aquatic facilities Utilisation <i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	9.65	8.51	Decrease due to incorrect reporting of Leisurelink aquatic facility school visits in 2014-15. Income figure used instead of visits (228,485 used but should have been 35,666). 2014-15 result should have been 8.78 visits.
	Animal management Health and safety <i>Animal management prosecutions</i> [Number of successful animal management prosecutions]	10.00	12.00	No material variations.
	Food safety Health and safety <i>Critical and major non-compliance 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	97.79%	99.11%	No material variations.
	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]	57.00	56.00	No material variations.
	Home and community care Participation <i>Participation in HACC service</i> [Number of people that received a HACC service / Municipal target population for HACC services] x100	20.17%	19.45%	No material variations.
	Participation <i>Participation in HACC service by CALD people</i> [Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x100	16.96%	16.04%	No material variations.
	Libraries Participation <i>Active library members</i> Number of active library members / Municipal population] x100	17.37%	19.47%	No material variations.

Service Performance Indicators
For the year ended 30 June 2016

Ref	Service / Indicator / Measure	Results		Material Variations
		2015	2016	
	Maternal and child health			
	Participation <i>Participation in the MCH service</i> [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100	77.72%	-	No information available at time of reporting due to MAV Child Development Information System migration.
	Participation <i>Participation in the MCH service by Aboriginal children</i> [Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100	72.37%	-	No information available at time of reporting due to MAV Child Development Information System migration.
	Roads			
	Satisfaction <i>Satisfaction with sealed local roads</i> [Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]	56.00	54.00	No material variations.
	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	54.17%	78.57%	Improved result reflects the support for the decisions made by council.
	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	55.78%	54.65%	No material variations.

Service Performance Indicators

For the year ended 30 June 2016

Definitions

"Aboriginal child" means a child who is an Aboriginal person

"Aboriginal person" has the same meaning as in the Aboriginal Heritage Act 2006

"active library member" means a member of a library who has borrowed a book from the library

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

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

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

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

"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 authorized officer under that Act, of a deficiency that poses an immediate serious threat to public health

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

"HACC program" means the Home and Community Care program established under the Agreement entered into for the purpose of the Home and Community Care Act 1985 of the Commonwealth

"HACC service" means home help, personal care or community respite provided under the HACC program

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

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

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

"population" means the resident population estimated by council

"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 2016

Ref	Dimension / Indicator / Measure	Results		Forecasts				Material Variations
		2015	2016	2017	2018	2019	2020	
R15(2) Sch3	Efficiency							
R16(1)	Revenue level							
R16(2)	<i>Average residential rate per residential property assessment</i>	\$1,326.00	\$1,424.66	\$1,476.15	\$1,521.27	\$1,553.39	\$1,587.62	No material variations.
R17(2)	[Residential rate revenue / Number of residential property assessments]							
R17(3)	Expenditure level							
	<i>Expenses per property assessment</i>	\$2,539.00	\$2,653.35	\$2,780.45	\$2,870.40	\$2,845.86	\$2,924.39	No material variations.
	[Total expenses / Number of property assessments]							
	Workforce turnover							
	<i>Resignations and terminations compared to average staff</i>	8.00%	8.29%	7.37%	7.09%	7.07%	7.06%	No material variations.
	[Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100							
	Liquidity							
	Working capital							
	<i>Current assets compared to current liabilities</i>	160.00%	126.20%	132.92%	124.48%	119.18%	114.63%	Lower cash balance in 2015-16.
	[Current assets / Current liabilities] x100							
	Unrestricted cash							
	<i>Unrestricted cash compared to current liabilities</i>	136.00%	102.92%	113.33%	104.92%	99.07%	95.19%	No material variations.
	[Unrestricted cash / Current liabilities] x100							

Financial Performance Indicators
For the year ended 30 June 2016

Ref	Dimension / Indicator / Measure	Results		Forecasts				Material Variations
		2015	2016	2017	2018	2019	2020	
	Obligations							
	Asset renewal <i>Asset renewal compared to depreciation</i> [Asset renewal expenses / Asset depreciation] x100	48.00%	62.12%	58.47%	47.49%	44.94%	42.82%	No material variations.
	Loans and borrowings <i>Loans and borrowings compared to rates</i> [Interest bearing loans and borrowings / Rate revenue] x100	36.00%	28.23%	46.02%	50.16%	49.84%	45.98%	No material variations.
	<i>Loans and borrowings repayments compared to rates</i> [Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100	7.00%	6.49%	7.78%	9.30%	9.40%	8.48%	No material variations.
	Indebtedness <i>Non-current liabilities compared to own source revenue</i> [Non-current liabilities / Own source revenue] x100	28.00%	17.76%	30.40%	32.61%	33.94%	30.66%	Borrowings reduced by 17% in 2015-16.

Financial Performance Indicators
For the year ended 30 June 2016

Ref	Dimension/ <i>indicator/measure</i>	Results		Forecasts				Material Variations
		2015	2016	2017	2018	2019	2020	
	Operating position Adjusted underlying result <i>Adjusted underlying surplus (or deficit)</i> [Adjusted underlying surplus (deficit) / Adjusted underlying revenue] x100	6.00%	0.32%	-0.54%	0.79%	2.10%	1.19%	Surplus reduced by 25% in 2015-16 mainly due to reduction in Commonwealth grant income.
	Stability Rates concentration <i>Rates compared to adjusted underlying revenue</i> [Rate revenue / Adjusted underlying revenue] x100	58.00%	62.08%	62.65%	61.27%	62.42%	62.80%	No material variations.
	Rates effort <i>Rates compared to property values</i> [Rate revenue / Capital improved value of rateable properties in the municipality] x100	0.38%	0.40%	0.40%	0.41%	0.42%	0.43%	No material variations.
	Definitions "adjusted underlying revenue" means total income other than: (a) non-recurrent grants used to fund capital expenditure; and (b) non-monetary asset contributions; and (c) contributions to fund capital expenditure from sources other than those referred to above "adjusted underlying surplus (or deficit)" means adjusted underlying revenue less total expenditure "asset renewal expenditure" means expenditure on an existing asset or on replacing an existing asset that returns the service capability of the asset to its original capability "current assets" has the same meaning as in the AAS "current liabilities" has the same meaning as in the AAS "non-current assets" means all assets other than current assets "non-current liabilities" means all liabilities other than current liabilities "non-recurrent grant" means a grant obtained on the condition that it be expended in a specified manner and is not expected to be received again during the period covered by a council's Strategic Resource Plan "own-source revenue" means adjusted underlying revenue other than revenue that is not under the control of council (including government grants) "population "means the resident population estimated by council "rate revenue" means revenue from general rates, municipal charges, service rates and service charges "recurrent grant "means a grant other than a non-recurrent grant "residential rates" means revenue from general rates, municipal charges, service rates and service charges levied on residential properties "restricted cash" means cash and cash equivalents, within the meaning of the AAS, that are not available for use other than for a purpose for which it is restricted, and includes cash to be used to fund capital works expenditure from the previous financial year "unrestricted cash" means all cash and cash equivalents other than restricted cash.							

Other Information

For the year ended 30 June 2016

1. Basis for preparation

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

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

The performance statement presents the actual results for the current year and for the prescribed financial performance indicators and measures, the results forecast by the council's strategic resource plan. The Local Government (Planning and Reporting) Regulations 2014 requires explanation of any material variations in the results contained in the performance statement. Council has adopted materiality thresholds relevant to each indicator and measure and explanations have not been provided for variations below the materiality thresholds unless the variance is considered to be material because of its nature.

The forecast figures included in the performance statement are those adopted by council in its strategic resource plan on 28 June 2016 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.

Council Approval of the Performance Statement

Certification of the Performance Statement

R18(1)
R18(2)

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.

Michael Kelly CPA
Principal Accounting Officer
Dated: 6 September 2016

In our opinion, the accompanying performance statement of the (*council name*) for the year ended 30 June 2016 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.

Dr Kathy Alexander
Administrator
Dated: 6 September 2016

Laurinda Gardner
Administrator
Dated: 6 September 2016

Kelvin Spiller
Chief Executive Officer
Dated: 6 September 2016

2. 2016-17 BUDGET AMENDMENTS

Source Strategy & Performance - Financial Services
Act/General Manager: William Tieppo
Index Reference Financial Management Reporting

Purpose

To note the increase in Capital and Non Capital project funding in 2016-17 to complete projects carried over from 2015-16, together with the other Budget amendments.

Summary

- Financial results for 2015-16 highlight a recurrent deficit of (\$3.0m) or \$14.0m favourable to amended budget and Capital expenditure of \$84.2m or \$42.2m lower than authorised Capital Program.
- These results reflect a number of programs (Capital and Non Capital) that are incomplete and are required to carryover into 2016-17.
- In order to avoid unnecessary variance reporting and commentary during 2016-17 relative to project approved funding levels, the 2016-17 Capital and Non Capital project budget are adjusted to include carryover funding required to complete the project.
- The incomplete programs, together with favourable operating performance have increased Council's year end cash balance to a total of \$87.2m or \$21.9m higher than projected.
- A review of the Capital program at 30 June 2016 indicates that \$60.2m expenditure and \$7.8m income is required to be carried over for completion in 2016-17. The approved funding level for capital projects including other amendments, should therefore be adjusted to \$164.2m with \$28m assumed to carryover into 2017-18. Capital income of \$7.8m was not received by 30 June and will carryover into 2016-17. Total capital income will therefore increase to \$30.1m. The Capital program is fully funded and will have no impact on the closing cash position as outlined in the adopted 2016-17 Budget.
- Capital project nominated borrowing requirements have been reviewed to take into account project status and cash flows, through 2016-17. The review highlights that \$30m budgeted borrowings can be deferred to provide interest savings of \$0.874m and lower principal repayments of \$1.842m. A detailed review of Long Term Debt Strategy will be undertaken in 2016-17.
- A review of the Non-Capital program at 30 June 2016 indicates that funding of \$8.4m is required to be carried forward for completion in 2016-17. The Non Capital program is fully funded and these amendments will have no impact on the closing cash position as forecast in the adopted 2016-17 Budget.
- The combined recurrent expenditure and capital program expenditure will be amended to \$464.6m, including \$328.4m recurrent expenditure and \$136.2 capital expenditure.

L Gardner moved, P Dorling seconded -

That Council amends the adopted 2016-2017 Budget to include the following:

- 1) Capital Programs carryover as per Appendix 1, other budget amendments affecting Capital Projects Budget as per Table 1.**
- 2) Non Capital Programs carryover as per Appendix 2, other budget amendments affecting the recurrent budget as per Table 2.**
- 3) Proposed 2016-2017 loan borrowings be amended from \$50.63m to \$20m to reflect latest cash flow projections for nominated projects.**

Carried.

Background

At 30 June each year Council reviews the preliminary financial results to determine funded Capital and Non Capital programs that are incomplete and are required to be carried over into the subsequent financial year. These carryover requirements are incorporated as part of the 2016-17 authorised program. This practice avoids unnecessary variance reporting, given there is no impact on the budgeted closing cash position.

The review has been undertaken in the following key areas:

- a) Carryover requirements to complete 2015-16 Capital projects in 2016-17.
- b) Carryover requirements to complete 2015-16 Non Capital projects in 2016-17.

2015-16 Preliminary Financial Results Summary

	Full Year Actual \$m	Full Year Amended Budget \$m	Variance Fav / (Unfav) \$m
Recurrent Surplus/(Deficit)	(3.00)	(17.01)	14.01
Non-Recurrent Surplus/(Deficit)	60.56	65.77	(5.21)
Net Surplus/(Deficit)	57.56	48.76	8.80
Capital Expenditure	84.17	126.43	42.26
Closing Net Cash Positive/(Negative)	87.24	64.76	22.44

Discussion

Capital Projects Program

Carryover requirements

Of the 303 projects listed in 2015-16, project managers have advised that 141 projects have been fully completed, with 162 projects identified as requiring some carryover funds in 2016-17 to complete works.

During the 2016-17 Budget development the Capital carryover was projected to be \$38m. At the end of the 2015-16 financial year a review was carried out to determine the actual Capital Program carryover requirements. The review indicates a net carryover of \$52.38m (refer to Appendix 1 for details) comprising of \$60.18m expenditure and \$7.80m income is required to complete the projects planned for 2015-16. The net variance between actual Net (\$52.38m) and estimate included in 2016-17 Budget (\$38.00m) is \$14.38m.

Main increases are: – Higher carryover than estimated on Corio Landfill Rehabilitation \$2.50m and Home for Cycling Pavilion \$0.66m. Other incomplete projects – Drysdale/Clifton Springs Sports Precinct \$2.78m, Central Road Drainage \$1.63m, Geelong Library & Heritage Centre Car Park \$1.52m, Geelong Library & Heritage Centre \$1.09m, Hendy St Reserve Development \$1.17m, Drysdale Landfill Leachate Management \$0.93m, Heavy & Dedicated Plant Replacement \$1.61m, ACWP – Acquisition Drainage Reserves \$0.77m, GREP Landscaping & Wetlands \$0.58m, Composting Site Set Up Works \$0.57m and Vic Roads Funded Works \$0.55m.

A detailed listing of the Capital project and the carryover expenditure and income is included in Appendix 1 together with comments from Project managers.

The following table summarises the authorised 2016-17 Capital program.

The authorised Capital Program will be used for variance reporting in the Monthly Management Report and Quarterly Finance Reports.

Table 1 – Authorised 2016-17 Capital Program

	Expenditure \$m	Income \$m	Net Expenditure \$m
Council adopted 2016-17 Budget - New Capital Funding (excluding Carryover)	103,698,096	22,292,917	81,405,179
2015-16 Capital Carryover Requests	60,179,696	7,800,510	52,379,186
<i>Other Budget Amendment</i>			
Budget submission – Queens Park Sporting complex	430,000	0	430,000
Geelong Soccer Club – Grant application successful	(100,000)	0	(100,000)
Authorised 2016-17 Capital Program	164,207,792	30,093,427	134,114,365
Planned Carryover into 2017-18 (June 2017)	(28,000,000)	-	(28,000,000)
Forecast 2016-17 Capital Expenditure	136,207,792	30,093,427	106,114,365

Estimated proceeds of \$609,500 on Light, Heavy & Dedicated Fleet sales relating to carried over purchases are also expected in 2016-2017.

Loan Borrowings

A review has been undertaken of the Capital projects to confirm 2016-2017 cash flow and borrowing requirements. The status of required borrowings relative to each project is as follows:

Drysdale Landfill Cell 6 *Latest estimate* **\$5.35m**

This project is completed and the budgeted borrowings \$5.35m will be necessary in 2016-17. Currently, the project has been funded out of working capital.

Corio Landfill Rehabilitation Year 2 *Latest estimate* **\$0.46m**

Total remaining budget on the project \$11.8m with \$4.377m approved borrowings. Forecast carryover into 2017-2018 is \$3.918m, therefore borrowing of \$0.459m only is required in 2016-17.

Central Geelong Projects *Latest estimate* **\$2.67m**

Projects forecast to be completed in 2016-17 with borrowings \$2.67m required.

Central Geelong Action Plan

Forecast expenditure in 2016-17 funded from capital income and defer \$4.52m borrowings to 2017-18.

Ocean Grove Infrastructure Plan *Latest estimate* **\$1.25m**

Project was completed in 2015-16 and working capital balances provided opportunity to defer borrowings. Borrowing to be taken up in 2016-17.

Highton Enhanced Children's Centre - Year 2

Forecast expenditure in 2016-17 funded from capital income and defer \$2.6m borrowings to 2017-18.

Leopold Community Hub - Stage 2 Library - Year 2

Project borrowings can be timed in line with construction cash flow. Estimated 2016-17 expenditure to be funded from capital income and loan borrowings of \$6m deferred.

Hendy Street Children's Hub Year 2 *Latest estimate* **\$2.8m**

A total of \$4.3m borrowings have been budgeted for this project. Forecast cash requirements provides opportunity to defer \$1.5 borrowings to 2017-18.

Rosewall Neighbourhood House

Forecast expenditure in 2016-17 is consistent with budget \$1.15m and remaining \$0.35m expenditure funded via borrowings can be deferred.

Flinders Peak – Redevelopment *Latest estimate* **\$1.8m**

Forecast expenditure in 2016-17 is consistent with borrowing provisions and therefore \$1.8m borrowings required.

Drysdale/Clifton Springs Sports Precinct

Forecast expenditure in 2016-17 funded from capital income and defer \$3.226m borrowings to 2017-18.

Drysdale Landfill Cell 5 *Latest estimate* **\$3.06m**

Forecast expenditure in 2016-17 at \$3.06m highlights \$0.54m as carryover into 2017-18. Borrowings of \$3.06m are therefore required and \$0.54m can be deferred.

GREP - Elcho Drain *Latest estimate* **\$1.368m**

Special Rate and charge scheme requires council contribution over 2 years funded by borrowings. Forecast expenditure in 2016-17 highlights that borrowings of \$1.368m will be required.

Armstrong Creek *Latest estimate* **\$1.243m**

DCP projects with forecast expenditure in 2016-17 funded from capital income and \$1.243m of borrowings. Opportunity to defer \$7.973m borrowings to 2017-18.

The deferral of \$30m budgeted loan borrowings provides interest savings of \$0.874m and lower principal repayments of \$1.842m. Borrowing requirements will continue to be monitored throughout the year relative to cash flows. A detailed review of long term Debt Strategy will also be undertaken.

Operating Budget Amendments

Non Capital Projects Carryover requirements

In addition to the Capital Program, Project Managers have undertaken a review of the Non Capital Projects budgeted for in 2015-16 that have been requested to be carried over into the 2016-17 financial year.

The 2015-16 Recurrent Operating result was favourably impacted by \$8.44m of incomplete Non Capital programs as per Appendix 2.

Requested Non Capital Program Carryover:

	Expenditure \$	Income \$	Net Expenditure \$
Council adopted 2016-17 Budget - Non Capital Program	11,248,572	2,600,360	8,648,212
2015-16 Non Capital Carryover Requests	8,838,772	402,251	8,436,521
Authorised 2016-17 Non Capital Program	20,087,344	3,002,611	17,084,733

The net 2016-17 Non Capital Program is noted as \$17.08m to reflect the additional \$8.44m carried over from 2015-16.

Other Budget Amendments

The revised borrowing program provides Interest expenditure savings of \$0.87m.

Other operating budget amendments Fav/(Unfav):

- Final advise from Victorian Grants Commission indicates an additional \$0.13m relative to estimates included in the adopted 2016-17 Budget.
- City Vision and Transformation Projects – Executive Lead (\$0.24m).
- Vision Program – community engagement additional cost (\$0.28m).
- Resource Allocation for Community Engagement and Continuous Improvement (\$0.375m).
- Regulatory Requirements, Policy and Research and Urban Design Services (\$0.435m).
- Community Update reinstatement – (\$0.13m).
- G21 Netball Strategy Project cancelled - \$0.015m.

The impact of the requested Non capital program carryover along with the other budget amendments that affect the recurrent position 2016-17 Surplus/(Deficit) Refer Table 2 below.

Table 2 – Authorised 2016-17 Recurrent Surplus/(Deficit)

	Expenditure \$	Income \$	Surplus/(Deficit) \$
Council adopted 2016-17 Budget - Recurrent surplus/(Deficit)	319,028,263	320,858,618	1,830,355
2015-16 Non Capital Carryover Requests	8,838,772	402,251	(8,436,521)
Other Budget Amendments			
Interest Paid Savings	(873,212)	0	873,212
Grants Commission increase	0	130,250	130,250
City Vision and Transformation Projects	235,000	0	(235,000)
Vision Program	280,000	0	(280,000)
Resource allocation for Community engagement & continuous improvement	375,000	0	(375,000)
Regulatory Requirements, Policy & Research and Urban Design Services	435,000	0	(435,000)
Community Update	130,000	0	(130,000)
G21 Netball Strategy Project	(65,000)	(49,894)	15,106
Authorised 2016-17 Recurrent Surplus/(Deficit)	328,383,823	321,341,225	(7,042,598)

Environmental Implications

The adoption of the 2015-16 carryover program recognises the required funding to complete the environmental programs previously approved as part of the 2015-16 Budget.

Financial Implications

There are no funding implications associated with this report, with higher than projected cash balances as at 30 June 2016 funding additional budgeted expenditure in 2016-17.

The program variances and carryover requests are detailed within the accompanying financial reports (refer Appendices 1 & 2).

Policy/Legal/Statutory Implications

Section 144A part 1 of the Local Government Act states “A Council must prepare a revised budget if circumstances arise which cause a material change in the budget and which affect the financial operations and position of Council.”

In the context of the total budget the recommended variation to the budget is not considered material.

Alignment to City Plan

This report contributes to responsible and sustainable financial management as aligned in Council’s City Plan objective on How We Do Business.

Officer Direct or Indirect Interest

Council staff preparing this report have no direct or indirect interest.

Risk Assessment

Capital projects by their nature are susceptible to delays for a large variety of reasons including weather, delays in approvals (i.e. Special Rates & Charges programs) contractor availability, performance, etc.

The carryover Capital Program (refer to Appendix 1) will result in a gross capital program for 2016-17 of \$136.2m.

Social Considerations

The adoption of the 2015-16 carryover program provides the required funding to complete the social programs previously approved as part of the 2015-16 Budget.

Human Rights Charter

No positive or negative impacts.

Consultation and Communication

Project Managers have submitted requests for carryover and will be advised of the outcome pending consideration of this report by Council.

CLOSE OF MEETING:

As there was no further business the meeting closed at 3.35pm. Tuesday, 6 September 2016.

Signed: _____
Dr Kathy Alexander - Chair

Date of Confirmation: _____