

# Annual Financial Report

## For the year ended 30 June 2020



**Nillumbik Shire Council**  
**Financial Report**  
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**Nillumbik Shire Council**  
**Certification of the Financial Report**  
**For The Year Ended 30 June 2020**

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

*Melika Sukunda, CA*  
**Principal Accounting Officer**

**Date :**  
*Greensborough*

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

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

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

*Karen Egan (Mayor)*  
**Councillor**

**Date :**  
*Greensborough*

*Peter Clarke (Deputy Mayor)*  
**Councillor**

**Date :**  
*Greensborough*

*Carl Cowie*  
**Chief Executive Officer**

**Date :**  
*Greensborough*

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**Nillumbik Shire Council**  
**Comprehensive Income Statement**  
**For The Year Ended 30 June 2020**

	Note	2020 \$'000	2019 \$'000
<b>Income</b>			
Rates and charges	3.1	66,540	64,780
Statutory fees and fines	3.2	1,514	1,465
User fees	3.3	11,582	11,502
Grants - operating	3.4(a)	7,740	7,242
Grants - capital	3.4(b)	2,898	14,325
Contributions - monetary	3.5	3,234	2,048
Contributions - non-monetary	3.5	2,791	1,835
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	3.6	(599)	(3,221)
Share of net profits/(losses) of associate	6.3	139	(266)
Other income	3.7	2,277	2,595
<b>Total income</b>		<b>98,116</b>	<b>102,305</b>
<b>Expenses</b>			
Employee costs	4.1	36,373	34,210
Materials and services	4.2	55,966	38,802
Depreciation	4.3	12,164	11,650
Amortisation - right of use assets	4.4	513	-
Bad and doubtful debts	4.5	184	32
Borrowing costs	4.6	709	767
Finance costs - leases	4.7	37	-
Contributions to associates	6.3	2,742	2,761
Other expenses	4.8	4,340	3,881
<b>Total expenses</b>		<b>113,028</b>	<b>92,103</b>
<b>Surplus/(deficit) for the year</b>		<b>(14,912)</b>	<b>10,202</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to surplus or deficit in future periods</b>			
Net asset revaluation increment/(decrement)	6.2	(5,009)	3,603
<b>Total comprehensive result</b>		<b>(19,921)</b>	<b>13,805</b>

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

**Nillumbik Shire Council**  
**Balance Sheet**  
**As at 30 June 2020**

	Note	2020 \$'000	2019 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5.1(a)	43,345	44,254
Trade and other receivables	5.1(c)	11,416	9,900
Other financial assets	5.1(b)	9,000	1,000
Inventories	5.2(a)	18	27
Non-current assets classified as held for sale	6.1	3,080	3,607
Other assets	5.2(b)	1,938	6,090
<b>Total current assets</b>		<b>68,797</b>	<b>64,878</b>
<b>Non-current assets</b>			
Trade and other receivables	5.1(c)	580	902
Other financial assets	5.1(b)	5	5
Investments in associates	6.3	1,471	1,330
Property, infrastructure, plant and equipment	6.2	942,431	937,830
Right-of-use assets	5.8	1,301	-
<b>Total non-current assets</b>		<b>945,788</b>	<b>940,067</b>
<b>Total assets</b>		<b>1,014,585</b>	<b>1,004,945</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	5.3(a)	8,316	10,707
Trust funds and deposits	5.3(b)	1,925	2,050
Unearned grants and contract liabilities	5.3(c)	12,456	-
Provisions	5.5(c)	13,483	8,093
Interest-bearing liabilities	5.4	2,171	2,794
Lease liabilities	5.8	507	-
<b>Total current liabilities</b>		<b>38,858</b>	<b>23,644</b>
<b>Non-current liabilities</b>			
Provisions	5.5(c)	22,388	6,602
Interest-bearing liabilities	5.4	8,605	9,298
Lease liabilities	5.8	826	-
<b>Total non-current liabilities</b>		<b>31,819</b>	<b>15,900</b>
<b>Total liabilities</b>		<b>70,677</b>	<b>39,544</b>
<b>Net assets</b>		<b>943,908</b>	<b>965,401</b>
<b>Equity</b>			
Accumulated surplus		385,673	397,099
Reserves	9.1	558,235	568,302
<b>Total equity</b>		<b>943,908</b>	<b>965,401</b>

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

**Nillumbik Shire Council**  
**Statement Of Changes In Equity**  
**For The Year Ended 30 June 2020**

	Note	Total	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves
2020		\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		965,401	397,099	528,235	40,067
Impact of change in accounting policy - AASB 15 Revenue from Contracts with Customers	10(a)	-	-	-	-
Impact of change in accounting policy - AASB 1058 Income of Not-for-Profit Entities	10(c)	-	(1,572)	-	-
Impact of change in accounting policy - AASB 16 Leases	5.8	-	-	-	-
Surplus/(deficit) for the year		(14,912)	(14,912)	-	-
Net asset revaluation increment/(decrement)	6.2	(5,009)	-	(5,009)	-
Transfers to other reserves	9.1(b)	-	(18,102)	-	18,102
Transfers from other reserves	9.1(b)	-	23,160	-	(23,160)
<b>Balance at end of the financial year</b>		<b>945,480</b>	<b>385,673</b>	<b>523,226</b>	<b>35,009</b>

		Total	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves
2019		\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		951,596	388,337	524,632	38,627
Surplus/(deficit) for the year		10,202	10,202	-	-
Net asset revaluation increment/(decrement)	6.2	3,603	-	3,603	-
Transfers to other reserves	9.1(b)	-	(23,542)	-	23,542
Transfers from other reserves	9.1(b)	-	22,102	-	(22,102)
<b>Balance at end of the financial year</b>		<b>965,401</b>	<b>397,099</b>	<b>528,235</b>	<b>40,067</b>

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



**Nillumbik Shire Council  
Statement Of Cash Flows  
For The Year Ended 30 June 2020**

	2020	2019
	Inflows/ (Outflows)	Inflows/ (Outflows)
Note	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Rates and charges	69,540	63,721
Statutory fees and fines	1,514	1,465
User fees	11,488	8,077
Grants - operating	9,358	7,412
Grants - capital	14,290	14,495
Contributions - monetary	3,511	2,218
Interest received	602	1,082
Trust funds and deposits taken	330	1,001
Other receipts	1,343	648
Net GST refund/(payment)	3,820	5,210
Employee costs	(34,286)	(34,701)
Materials and services	(43,101)	(40,792)
Short-term, low value and variable lease payments	(571)	-
Trust funds and deposits repaid	(171)	(197)
Other payments	(7,952)	(7,593)
<b>Net cash provided by/(used in) operating activities</b>	<b>29,714</b>	<b>22,046</b>
<b>Cash flows from investing activities</b>		
Payments for property, infrastructure, plant and equipment	6.2 (21,211)	(25,379)
Proceeds from sale of property, infrastructure, plant and equipment	1,131	2,328
Payments for investments	(8,000)	-
Proceeds from investments	-	-
Interest paid - lease liability	(37)	-
Repayment of lease liabilities	(481)	-
<b>Net cash provided by/(used in) investing activities</b>	<b>(28,598)</b>	<b>(23,051)</b>
<b>Cash flows from financing activities</b>		
Finance costs	(709)	(767)
Proceeds from borrowings	-	-
Repayment of borrowings	(1,316)	(644)
<b>Net cash provided by/(used in) financing activities</b>	<b>(2,025)</b>	<b>(1,411)</b>
Net increase/(decrease) in cash and cash equivalents	(909)	(2,416)
Cash and cash equivalents at the beginning of the financial year	44,254	46,670
<b>Cash and cash equivalents at the end of the financial year</b>	<b>5.1(a) 43,345</b>	<b>44,254</b>
<b>Financing arrangements</b>	5.6	
<b>Restrictions on cash assets</b>	5.1	

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

**Nillumbik Shire Council**  
**Statement Of Capital Works**  
**For The Year Ended 30 June 2020**

	Note	2020 \$'000	2019 \$'000
<b>Property</b>			
Land		-	-
Land improvements		-	368
Playgrounds		2,191	1,808
<b>Total land</b>		<b>2,191</b>	<b>2,176</b>
Buildings		1,669	1,201
Buildings - heritage		-	-
<b>Total buildings</b>		<b>1,669</b>	<b>1,201</b>
<b>Total property</b>		<b>3,860</b>	<b>3,377</b>
<b>Plant and equipment</b>			
Plant, machinery and equipment		922	278
Furniture, equipment and computers		-	15
Artwork		30	-
<b>Total plant and equipment</b>		<b>952</b>	<b>293</b>
<b>Infrastructure</b>			
Roads		1,635	4,120
Bridges		53	56
Footpaths and cycleways		670	766
Drainage		538	729
Recreational, leisure and community facilities		11,645	15,839
Waste management		168	-
Parks, open space and streetscapes		289	1,556
Traffic treatments		-	-
Other infrastructure		419	512
<b>Total infrastructure</b>		<b>15,417</b>	<b>23,578</b>
<b>Total capital works expenditure</b>		<b>20,229</b>	<b>27,248</b>
<b>Represented by:</b>			
New asset expenditure		7,372	5,979
Asset renewal expenditure		4,798	4,334
Asset expansion expenditure		653	2,570
Asset upgrade expenditure		7,406	14,365
<b>Total capital works expenditure</b>		<b>20,229</b>	<b>27,248</b>

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

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**Overview**

**Introduction**

Nillumbik Shire Council (Council) was established by an Order of the Governor in Council on 15 December 1994 and is a body corporate. Council's main office is located at Civic Drive, Greensborough, Victoria.

**Statement of compliance**

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

**Coronavirus pandemic event**

The impact of the ongoing pandemic event and staged restrictions have been disclosed under Significant accounting policies note (b) Impacts of the coronavirus pandemic event and throughout the notes to the financial statements.

**Significant accounting policies**

**(a) Basis of accounting**

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to note 6.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to note 6.2)
- the determination of employee provisions (refer to note 5.5(a))
- the determination of landfill provisions (refer to note 5.5(b))
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of *AASB 15 Revenue from Contracts with Customers* or *AASB 1058 Income of Not-for-Profit Entities* (refer to Note 3)
- the determination, in accordance with *AASB 16 Leases*, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.8)
- other areas requiring judgements

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

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**Significant accounting policies**

**(b) Impacts of the coronavirus pandemic event**

Council is charged with the ongoing delivery of community services and upkeep of public infrastructure. The ongoing pandemic event and staged restrictions have presented unprecedented challenges which Council is navigating and maintaining service levels. Council is not eligible for any labour-force related assistance (JobKeeper).

During the period 1 March 2020 to 30 June 2020 Council maintained the existing workforce, redeploying staff where remote working was not possible, or standing down staff with pay. The majority of Council's workforce remains working-from-home with full support and access to the Employee Assistance Program, whereby counselling services and independent support can be obtained at no charge. Council continues to support employees through staged restrictions and the current declaration of a state of emergency and state of disaster.

In immediate response to the pandemic event council implemented a Covid-19 Financial Hardship Policy, suspending penalty interest and enabling the option of deferring payment for the final 2019-2020 instalment until 30 September 2020. Council suspended all debt management activities on 19 March 2020 (Note 5.1(c)).

Council has provided rent relief to tenants of Council-owned properties experiencing financial difficulty, which is reflective of the guidance through State Government.

Assistance grants are being developed by Council for local businesses impacted by ongoing restrictions and pandemic related closures.

Council has maintained cash balances during this time, however is aware of the decrease rate of collection for the quarterly rates instalment. Cash balances are maintained within financial sustainability principals. Council has increased the provision for doubtful debts, recognising that some impairment exists across the sundry debtor portfolio (Note 5.1(c) and (e)).

Suppliers continue to be paid within Council terms, with weekly accounts payable payment runs undertaken to ensure terms are met. There has been no alteration to the frequency of the payment runs or payment terms during this period (Note 5.3(a)).

Council's land assets have been valued by an independent valuer. At the time of valuation, available market data, including any impact of the pandemic event, were considered (Note 6.2).

Infrastructure assets continue to be valued at replacement cost based fair value, as this best reflects the nature of these community-use assets (Note 6.2).

Management has reviewed budgets, cash-flows and forecasts in-line with expectations about the future and believes the going concern assumption remains appropriate. A full, formal review will commence in the second and third quarters of the financial year.

Council has not identified any subsequent events that may impact the organisations ability to continue as a going concern and has determined that the going concern assumption remains the appropriate basis to prepare Council's financial report.

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**Note 1 Performance against budget**

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of 5 percent where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 28 May 2019. 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*.

**1.1 Income and expenditure**

	Budget 2020 \$'000	Actual 2020 \$'000	Variance 2020 \$'000	Variance %	Ref
<b>Income</b>					
Rates and charges	66,383	66,540	157	0.2%	
Statutory fees and fines	1,238	1,514	276	22.3%	1
User fees	13,153	11,582	(1,571)	-11.9%	2
Grants - operating	6,252	7,740	1,488	23.8%	3
Grants - capital	11,156	2,898	(8,258)	-74.0%	4
Contributions - monetary	4,311	3,234	(1,077)	-25.0%	5
Contributions - non monetary	-	2,791	2,791	100.0%	6
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	-	(599)	(599)	100.0%	7
Share of net profits/(losses) of associates	-	139	139	100.0%	8
Other income	1,320	2,277	957	72.5%	9
<b>Total income</b>	<b>103,813</b>	<b>98,116</b>	<b>(5,697)</b>	<b>-5.5%</b>	
<b>Expenses</b>					
Employee costs	35,475	36,373	898	2.5%	
Materials and services	29,571	55,966	26,395	89.3%	10
Bad and doubtful debts	-	184	184	100.0%	11
Depreciation	11,445	12,164	719	6.3%	12
Amortisation - right of use assets	-	513	513	100.0%	13
Borrowing costs	687	709	22	3.2%	
Finance costs - leases	-	37	37	100.0%	14
Contributions to associates	2,753	2,742	(11)	-0.4%	15
Other expenses	6,494	4,340	(2,154)	-33.2%	16
<b>Total expenses</b>	<b>86,425</b>	<b>113,028</b>	<b>26,603</b>	<b>30.8%</b>	
<b>Surplus/(deficit) for the year</b>	<b>17,388</b>	<b>(14,912)</b>	<b>(32,300)</b>	<b>-185.8%</b>	

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**Note 1 Performance against budget (continued)**

**1.1 Income and expenditure (continued)**

**(i) Explanation of material variances**

<b>Ref</b>	<b>Explanation</b>
1	<b>Statutory fees and fines</b> , increase in swimming pool registration and compliance fees introduced post budget (\$142,000), addition planning application fees (\$84,000) and external lodgement fees (\$64,000), offset by decrease in fines and penalties served due to the pandemic and staged restrictions (\$189,000). Permits (\$191,000) are included at this line item, but are budgeted for as userfees.
2	<b>User fees</b> , reduction in leisure centre and facility income attributable to the pandemic and staged restrictions (\$538,000), Recycling and Recovery Centre fees (\$189,000) and Living and Learning Nillumbik fees (\$148,000). Community Safety Fees, Home and Community Care fees, Environmental Health Fees have also decreased. Permits (\$191,000) and Other Rental Income (\$320,000) are shown at Statutory fees and fines and Other Income respectively, but are budgeted for as Userfees.
3	<b>Grants - operating</b> , due to the implementation of AASB 1058, grant income received in 2018/2019 were retrospectively recognised as income in the current financial year (\$830,000). Further, additional grants not budgeted for were received during the financial year (\$521,000).
4	<b>Grants - capital</b> , due to the implementation of AASB 1058, grants received in advance for the 2020-2021 financial year have been recognised in the balance sheet. .
5	<b>Contributions - monetary</b> , variance due to developer and capital works contributions received during the year.
6	<b>Contributions - non-monetary</b> , comprises of infrastructure assets, in particular drainage assets, that were transferred to Council during the period. Council does not budget for the receipt of non-monetary contributions.
7	<b>Net gain on disposal of property</b> , infrastructure, plant and equipment, losses on disposal of plant, infrastructure and equipment are not budgeted for.
8	<b>Share of net profits/(losses) of associates</b> , Council does not budget for share of net profit/(losses) of associates.
9	<b>Other income</b> , Council received Natural Disaster funding (\$430,000) and insurance refunds received during the financial year (\$227,000) which were not budgeted for and additional WorkCover refunds of (\$153,000). Other rental income is budgeted for as Userfees, but included in this line item (\$320,000).
10	<b>Materials and services</b> , The Provision for Landfill Rehabilitation was substantially increased in the 2019/2020 financial year (\$21million) to include the 30 year after-care cost of the of both sites and reflect the increased cost in meeting rehabilitation requirements. Agency fees (\$1.1million) and Contractor fees (\$1.1million) were greater than expected. Additional expenditure was incurred for Legal Fees (\$208,000), Leisure Facilities (\$404,000) and Waste Management (\$894,000). For budgeting purposes insurance premiums (\$1.15million) are categorised as other expenses, but are allocated to the materials and services category in the income statement.
11	<b>Bad and doubtful debts</b> , Council does not budget for bad and doubtful debts.
12	<b>Depreciation</b> , variance is driven by the capitalisation of newly completed assets.
13	<b>Amortisation of right-of-use assets</b> , variance is due to the implementation of AASB 16 Leases.
14	<b>Finance costs - leases</b> , variance is due to the implementation of AASB 16 Leases.
15	<b>Contributions to associates</b> , reflective of the contributions agreed upon by the board of the Yarra Plenty Regional Library Service.
16	<b>Other expenses</b> , variations due to the implementation of AASB 16 Leases (\$481,000), now recognised through amortisation of right-of-use assets and finance costs - leases and a reduction in spend across Green Power (\$172,000).

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**Note 1 Performance against budget (continued)**

1.2 Capital Works	Budget 2020 \$'000	Actual 2020 \$'000	Variance 2020 \$'000	Variance %	Ref
<b>Property</b>					
Land	-	-	-	0.0%	
Playgrounds	2,715	2,191	(524)	-19.3%	1
Land improvements	-	-	-	0.0%	
<b>Total land</b>	<b>2,715</b>	<b>2,191</b>	<b>(524)</b>	<b>-19.3%</b>	
Buildings	965	1,669	704	73.0%	2
Buildings - heritage	-	-	-	0.0%	
Building improvements	-	-	-	0.0%	
<b>Total buildings</b>	<b>965</b>	<b>1,669</b>	<b>704</b>	<b>73.0%</b>	
<b>Total property</b>	<b>3,680</b>	<b>3,860</b>	<b>180</b>	<b>4.9%</b>	
<b>Plant and equipment</b>					
Plant, machinery and equipment	755	922	167	22.1%	3
Fixtures, fittings and furniture	-	-	-	0.0%	
Computers and telecommunications	-	-	-	0.0%	
Artwork	-	30	30	100.0%	4
<b>Total plant and equipment</b>	<b>755</b>	<b>952</b>	<b>197</b>	<b>26.1%</b>	
<b>Infrastructure</b>					
Roads	9,331	1,635	(7,696)	-82.5%	5
Bridges	1,134	53	(1,081)	-95.3%	6
Footpaths, trails and cycleways	631	670	39	6.2%	7
Drainage	520	538	18	3.5%	
Recreational, leisure and community facilities	11,531	11,645	114	1.0%	
Kerb and channel	-	-	-	0.0%	
Waste management	1,270	168	(1,102)	-86.8%	8
Parks, open space and streetscapes	968	289	(679)	-70.1%	9
Traffic treatments	-	-	-	0.0%	
Other infrastructure	509	419	(90)	-17.7%	10
<b>Total infrastructure</b>	<b>25,894</b>	<b>15,417</b>	<b>(10,477)</b>	<b>-40.5%</b>	
<b>Total capital works expenditure</b>	<b>30,329</b>	<b>20,229</b>	<b>(10,100)</b>	<b>-33.3%</b>	
<b>Represented by:</b>					
New asset expenditure	4,560	7,372	2,812	61.7%	
Asset renewal expenditure	4,474	4,798	324	7.2%	
Asset expansion expenditure	5,885	653	(5,232)	-88.9%	
Asset upgrade expenditure	15,410	7,406	(8,004)	-51.9%	
<b>Total capital works expenditure</b>	<b>30,329</b>	<b>20,229</b>	<b>(10,100)</b>	<b>-33.3%</b>	

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**Note 1 Performance against budget (continued)**

**1.2 Capital works (continued)**

**(i) Explanation of material variances**

<b>Ref</b>	<b>Explanation</b>
1	<b>Playgrounds</b> , the completion of Diamond Creek Regional Playground is now scheduled for 2020/21.
2	<b>Buildings</b> , works budgeted for in 2018/19, including the Eltham Library air-conditioning upgrade, occurred in 2019/2020.
3	<b>Plant, machinery and equipment</b> , 2018/2019 budgeted spend on Major Plant and Vehicles occurred in 2019/2020.
4	<b>Artwork</b> , purchases of artwork are funded through an arts reserve.
5	<b>Roads</b> , works related to the Urban Congestion Fund (\$4.9million), DPO2 Herberts Lane upgrade (\$1.51million) and DCP4 North South Road (\$445,000) will now be undertaken the 2020/2021 financial year. Periodic and scheduled maintenance works budgeted as capital expenditure are not capitalised due to their nature.
6	<b>Bridges</b> , works on Gibson Street Bridge (\$994,000) were not completed in the 2019/2020 financial year and lower than expected spend on bridge rehabilitation works.
7	<b>Footpaths, trails and cycleways</b> , additional spend on footpath renewal works were undertaken, but were budgeted for in 2020/2021.
9	<b>Waste management</b> , Landfill rehabilitation costs have been recognised via the Provision for Landfill Rehabilitation and have been expensed accordingly.
10	<b>Parks, open space and streetscapes</b> , works completed on DCP2 and DPO4 Public Open Space Improvements (\$650,000) will now be completed in 2020/2020.
11	<b>Other infrastructure</b> , lower than expected spend on other infrastructure projects.



**Nillumbik Shire Council**  
**Notes To The Financial Report**  
**For The Year Ended 30 June 2020**

**Note 2 Analysis of Council results by program**

Council delivers its functions and activities through the following programs.

**2.1(a) Communities**

Communities provides high quality community focused programs and service delivery to residents. Service areas include community support and partnerships, early years and education programs, volunteering, maternal child health services and arts and cultural development.

**Corporate Services**

Corporate Services provides efficient, effective and proactive support services across Council to enable the delivery of policy commitments, Council's vision and mission. The provision of these services includes human resources, information and technology, procurement, business transformation and performance and finance services.

**Governance and Legal**

Governance and Legal services provides effective governance oversight of the organisation and provides support to the organisation and ensures Council's customer focus includes communication and community engagement processes. Service areas include governance, information services, communications and engagement, emergency management and legal services. Executive Services, the provision of support services to the CEO and Councillors, has been included in Governance and Legal.

**Planning and Community Safety**

Planning and Community Safety delivers regulatory and amenity services to residents and visitors across the Shire and partners with the business community to developed economic and tourism opportunities. Planning and Community Safety is comprised of planning services, community safety and amenity, strategic planning and economic development and tourism.

**Operations and Infrastructure**

Operations and Infrastructure is responsible for constructing new infrastructure and maintaining existing infrastructure across a very diverse range of assets that underpin the wellbeing of the community. Infrastructure and Operations is comprised of infrastructure, capital works, environment and waste, recreation and leisure and assets and property.

**Nillumbik Shire Council  
Notes To The Financial Statements  
For The Year Ended 30 June 2020**

**Note 2 Analysis of Council results by program (continued)**

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

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total capital expenditure	Total PIPE
<b>2020</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Communities	3,408	12,166	(8,758)	2,686	-	-
Corporate Services	76,089	6,868	69,221	3,610	117	532
Governance and Legal	91	3,645	(3,554)	80	-	-
Planning and Community Safety	3,023	8,647	(5,624)	295	-	-
Operations and Infrastructure	15,505	81,702	(66,197)	3,967	20,112	941,899
	<b>98,116</b>	<b>113,028</b>	<b>(14,912)</b>	<b>10,638</b>	<b>20,229</b>	<b>942,431</b>

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total capital expenditure	Total PIPE
<b>2019</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Corporate Services	70,747	1,103	69,644	1,804	140	525
Governance and Legal	99	2,774	(2,675)	84	-	-
Communications and Engagement	-	1,082	(1,082)	-	-	-
Community and Planning	6,963	18,514	(11,551)	3,562	-	-
Economic Development and Tourism	608	3,611	(3,003)	157	-	-
Operations and Infrastructure	27,109	68,240	(41,131)	15,960	27,108	937,830
	<b>105,526</b>	<b>95,324</b>	<b>10,202</b>	<b>21,567</b>	<b>27,248</b>	<b>938,355</b>

*\*PIPE - property, infrastructure, plant and equipment*

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

<b>Note 3 Funding for the delivery of our services</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>

**3.1 Rates and charges**

Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The Capital Improved Value of a property is the market value of land and all improvements at a given point in time.

The valuation base used to calculate general rates for 2019-20 was \$20.62 billion (2018-19 \$20.11 billion).

General rates	57,152	55,558
Municipal charge	-	1
Waste management charge	8,621	8,399
Special rates and charges	278	278
Supplementary rates and rate adjustments	150	103
Interest on rates and charges	339	441
<b>Total rates and charges</b>	<b>66,540</b>	<b>64,780</b>

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2020, and the valuation will be first applied in the rating year commencing 1 July 2020.

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

**3.2 Statutory fees and fines**

Infringements and costs	333	385
Court recoveries	-	(3)
Town planning fees	762	749
Land information certificates	47	42
Animal infringements	38	34
Permits	191	258
Pool registration and compliance	143	-
<b>Total statutory fees and fines</b>	<b>1,514</b>	<b>1,465</b>

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

**3.3 User fees**

Aged and health services	201	191
Leisure centre and recreation	8,162	7,738
Child care/children's programs	251	302
Registration and other permits	781	786
Building services	101	80
Waste management services	502	521
Subdivision supervision	241	289
Pound release	29	38
Adult education	235	339
Edendale farm	252	250
Environmental health	236	250
Hall and sport ground hire	398	528
Other fees and charges	193	190
<b>Total user fees</b>	<b>11,582</b>	<b>11,502</b>

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

Note 3 Funding for the delivery of our services (continued)	2020 \$'000	2019 \$'000
<b>3.3 User fees (continued)</b>		
<b>User fees by timing of revenue recognition</b>		
User fees recognised over time	-	-
User fees recognised at a point in time	11,582	11,502
<b>Total user fees</b>	<b>11,582</b>	<b>11,502</b>

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

**3.4 Funding from other levels of government**

Grants were received in respect of the following:

**Summary of grants**

Commonwealth funded grants	5,739	4,504
State funded grants	4,899	17,063
<b>Total grants received</b>	<b>10,638</b>	<b>21,567</b>

**(a) Operating Grants**

**Recurrent - Commonwealth Government**

Aged and health services	1,240	1,182
Community health	-	-
Community planning	-	-
Family and children	234	245
Commonwealth Financial Assistance Grants	3,420	2,907
Other	-	-

**Recurrent - State Government**

Adult education	413	325
Aged care, senior citizens centres	-	-
Arts	-	-
Community health	60	59
Community planning	-	-
Disability support	368	368
Economic development	-	-
Environment	113	86
Family and children	765	843
Metro access	73	145
Recreation	-	-
School crossing supervisors	278	224
Other	-	-
Waste	-	-
<b>Total recurrent operating grants</b>	<b>6,964</b>	<b>6,384</b>

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

<b>Note 3 Funding for the delivery of our services (continued)</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>3.4 Funding from other levels of government (continued)</b>		
<b>(a) Operating Grants (continued)</b>		
<i><b>Non-recurrent - Commonwealth Government</b></i>		
Environment	23	-
<i><b>Non-recurrent - State Government</b></i>		
Adult education	9	40
Arts	-	59
Community planning	-	35
Emergency management	107	172
Environment	508	423
Family and children	109	105
Planning	-	-
Recreation	-	24
Transport	20	-
Waste	-	-
Other	-	-
<b>Total non-recurrent operating grants</b>	<b>776</b>	<b>858</b>
<b>Total operating grants</b>	<b>7,740</b>	<b>7,242</b>
<b>(b) Capital Grants</b>		
<i><b>Non-recurrent - Commonwealth Government</b></i>		
Family and children	79	-
Playgrounds	15	-
Recreation	-	170
Bridges	-	-
Roads	91	-
Roads to recovery	637	-
<i><b>Non-recurrent - State Government</b></i>		
Buildings	-	-
Community facilities	2	-
Community planning	-	-
Emergency management	-	25
Environment	-	191
Family and children	108	81
Footpaths	-	-
Playgrounds	93	3,087
Recreation	1,488	9,759
Roads	385	1,012
<b>Total non-recurrent capital grants</b>	<b>2,898</b>	<b>14,325</b>
<b>Total capital grants</b>	<b>2,898</b>	<b>14,325</b>

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

<b>Note 3 Funding for the delivery of our services (continued)</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>

**3.4 Funding from other levels of government (continued)**

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

**Operating**

Balance at start of year	3,918	2,626
Received during the financial year and remained unspent at balance date	2,165	3,811
Received in prior years and spent during the financial year	(2,958)	(2,519)
<b>Balance at year end</b>	<b><u>3,125</u></b>	<b><u>3,918</u></b>

**Capital**

Balance at start of year	11,871	3,151
Received during the financial year and remained unspent at balance date	1,178	11,009
Received in prior years and spent during the financial year	(7,499)	(2,289)
<b>Balance at year end</b>	<b><u>5,550</u></b>	<b><u>11,871</u></b>

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

**3.5 Contributions**

Monetary	3,234	2,048
Non-monetary	2,791	1,835
<b>Total contributions</b>	<b><u>6,025</u></b>	<b><u>3,883</u></b>

*Contributions of non-monetary assets were received in relation to the following asset classes:*

Buildings	-	-
Infrastructure	2,791	1,835
Other	-	-
<b>Total non-monetary contributions</b>	<b><u>2,791</u></b>	<b><u>1,835</u></b>

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

**3.6 Net gain/(loss) on disposal of property, infrastructure, plant and equipment**

Proceeds of sale	1,132	2,329
Written down value of assets disposed	(1,731)	(5,550)
<b>Total net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>	<b><u>(599)</u></b>	<b><u>(3,221)</u></b>

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

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

<b>Note 3 Funding for the delivery of our services (continued)</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>3.7 Other income</b>		
Interest	602	1,082
Other rent	320	367
Reimbursements	729	338
Sale of valuations	31	168
WorkCover insurance recoveries	254	362
Planning	16	50
Other	325	228
<b>Total other income</b>	<b><u>2,277</u></b>	<b><u>2,595</u></b>

Interest is recognised as it is earned.

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

**Note 4 The cost of delivering services**

**4.1 Employee costs**

Wages and salaries	31,695	29,699
WorkCover	518	317
Superannuation	2,797	2,768
Fringe benefits tax	37	70
Other	1,326	1,356
<b>Total employee costs</b>	<b><u>36,373</u></b>	<b><u>34,210</u></b>

**4.1(a) Superannuation**

Council made contributions to the following funds:

**Defined benefit fund**

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	97	162
Employer contributions - other funds	-	-
	<u>97</u>	<u>162</u>

Employer contributions payable at reporting date.

**Accumulation funds**

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	1,512	1,572
Employer contributions - other funds	1,188	1,034
	<u>2,700</u>	<u>2,606</u>

Employer contributions payable at reporting date.

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

Employee benefits disclosed in the comprehensive income statement are marginally lower than those disclosed within the cash flow statement, reflecting the movement in the employee benefits provision during the financial year.

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

<b>Note 4 The cost of delivering services (continued)</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>4.2 Materials and services</b>		
Contract payments - leisure and recreation	9,609	9,143
Contract payments - agency and temporary staffing	1,547	2,052
Contract payments - home and community care services	1,160	1,133
Contract payments - waste	22,418	5,499
Contract payments - other	80	99
Building maintenance	413	332
Materials, maintenance and equipment	9,658	10,605
Utilities	1,139	1,269
Office administration	809	852
Information technology and telephone	1,920	1,784
Insurance premiums	1,115	1,114
Consultants	2,134	2,755
Emergency management	287	312
Waste management	1,496	1,317
Other	2,181	536
<b>Total materials and services</b>	<b>55,966</b>	<b>38,802</b>
<b>4.3 Depreciation</b>		
Property	123	117
Buildings	1,394	1,245
Plant and equipment	832	974
Infrastructure	9,815	9,314
<b>Total depreciation</b>	<b>12,164</b>	<b>11,650</b>
<i>Refer to note 6.2 for a detailed breakdown of depreciation charges and accounting policy</i>		
<b>4.4 Amortisation - right-of-use assets</b>		
Plant and equipment	513	-
<b>Total amortisation - right-of-use assets</b>	<b>513</b>	<b>-</b>
<b>4.5 Bad and doubtful debts</b>		
Parking fine debtors*	67	32
Bad debts	117	-
<b>Total bad and doubtful debts</b>	<b>184</b>	<b>32</b>
* Bad and doubtful debts for parking debtors relate to provisions raised regarding amounts in excess of 12 months old which have been referred to Infringements Court for collection plus associated costs.		
<b>Movement in provisions for doubtful debts</b>		
Balance at the beginning of the year	374	342
New provisions recognised during the year	67	32
Amounts already provided for and written off as uncollectible	-	-
Amounts provided for but recovered during the year	-	-
<b>Balance at end of year</b>	<b>441</b>	<b>374</b>

Provision for doubtful debt is recognised based on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment.



**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

<b>Note 4 The cost of delivering services (continued)</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>4.6 Borrowing costs</b>		
Interest on borrowings	709	767
<b>Total borrowing costs</b>	<u>709</u>	<u>767</u>

Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council.

<b>4.7 Finance costs - leases</b>		
Interest - lease liabilities	37	-
<b>Total finance costs</b>	<u>37</u>	<u>-</u>

<b>4.8 Other expenses</b>		
Auditors' remuneration - VAGO - audit of the financial statements, performance statement	69	65
Auditors' remuneration - internal and grant acquittals	134	160
Councillors' allowances	260	255
Operating lease rentals	1,033	1,017
Assets written off/ impaired	-	-
Other	2,844	2,384
<b>Total other expenses</b>	<u>4,340</u>	<u>3,881</u>

**Note 5 Our financial position**

**5.1 Financial assets**

**(a) Cash and cash equivalents**

Cash on hand	5	7
Cash at bank	7,239	3,236
Term deposits	36,101	41,011
<b>Total cash and cash equivalents</b>	<u>43,345</u>	<u>44,254</u>

**(b) Other financial assets**

**Current**

Term deposits	9,000	1,000
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**Non-current**

Investment - MAPS	5	5
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<b>Total other financial assets</b>	<u>9,005</u>	<u>1,005</u>
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<b>Total financial assets</b>	<u>52,350</u>	<u>45,259</u>
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Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use, these include:

Trust funds and deposits (note 5.3(b))	1,925	2,050
Net increase in restricted assets resulting from grant revenues	3,125	3,918
Statutory cash backed and capital works reserves	12,195	10,344
<b>Total restricted funds</b>	<u>17,245</u>	<u>16,312</u>
<b>Total unrestricted cash and cash equivalents</b>	<u>26,100</u>	<u>27,942</u>

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

<b>Note 5 Our financial position (continued)</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>

**5.1 Financial assets (continued)**

**Intended allocations**

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

Cash held to fund long service leave (cash at bank)	5,000	5,300
Total funds subject to intended allocations	<b>5,000</b>	<b>5,300</b>

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

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

Investments in MAPS and the Local Government Health Plan are valued at cost. Any dividends paid are taken up as revenue.

**(c) Trade and other receivables**

**Current**

*Statutory receivables*

Rates debtors	8,462	6,528
Special charge scheme debtors	680	648
Parking infringement debtors	565	547
Provision for doubtful debts - parking fines	(441)	(374)
Net GST receivable	339	605

*Non-statutory receivables*

Other debtors	1,928	1,946
Provision for doubtful debts - other debtors	(117)	-

**Total current trade and other receivables**

	<b>11,416</b>	<b>9,900</b>
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**Non-current**

*Statutory receivables*

Special rate scheme	580	902
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**Total non-current trade and other receivables**

	<b>580</b>	<b>902</b>
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**Total trade and other receivables**

	<b>11,996</b>	<b>10,802</b>
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Short term receivables are carried at invoice amount. A provision for doubtful debts is recognised when there is objective evidence that an impairment has occurred. Long term receivables are carried at amortised cost using the effective interest rate method.

Due to the Covid-19 pandemic event and the staged restrictions, all debt collection activity has been temporarily suspended. Council has endorsed an interim financial hardship policy, which provides for payment deferral and penalty interest waiver until 30 September 2020 for the final 2019/2020 rates instalment.

**(d) Ageing of Receivables**

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

Current (not yet due)	1,823	2,434
Past due by up to 30 days	-	13
Past due between 31 and 180 days	8	53
Past due between 181 and 365 days	63	13
Past due by more than 1 year	34	38
<b>Total trade and other receivables</b>	<b>1,928</b>	<b>2,551</b>

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

Note 5 Our financial position (continued)	2020 \$'000	2019 \$'000
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**5.1 Financial assets (continued)**

**(e) Ageing of individually impaired Receivables**

At balance date, other debtors representing financial assets with a nominal value of \$117,303 (2019: Nil) were impaired. The amount of the provision raised against these debtors was \$117,303 (2019: Nil). They individually have been impaired as a result of their doubtful collection.

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

Current (not yet due)	55	-
Past due by up to 30 days	-	-
Past due between 31 and 180 days	6	-
Past due between 181 and 365 days	5	-
Past due by more than 1 year	51	-
<b>Total trade &amp; other receivables</b>	<b>117</b>	<b>-</b>

**5.2 Non-financial assets**

**(a) Inventories**

Fuel	18	27
<b>Total inventories</b>	<b>18</b>	<b>27</b>

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

**(b) Other assets**

Prepayments	1,139	1,018
Accrued income	799	5,072
<b>Total current other assets</b>	<b>1,938</b>	<b>6,090</b>

**5.3 Payables**

**(a) Trade and other payables**

Trade payables	3,317	2,501
Accrued expenses	4,939	8,146
Prepaid income	60	60
Net GST payable	-	-
<b>Total trade and other payables</b>	<b>8,316</b>	<b>10,707</b>

Suppliers continue to be paid within Council terms, with weekly accounts payable payment runs undertaken to ensure terms are met. There has been no alteration to the frequency of the payment runs or payment terms during the Covid-19 pandemic event.

**(b) Trust funds and deposits**

Refundable deposits	297	378
Retention amounts	861	785
Other refundable deposits	767	887
<b>Total trust funds and deposits</b>	<b>1,925</b>	<b>2,050</b>

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

Note 5 Our financial position (continued)	2020	2019
	\$'000	\$'000
<b>5.3 Payables (continued)</b>		
<b>(c) Unearned income</b>		
Deferred operating grants	713	-
Deferred capital grants	11,115	-
Other	628	-
<b>Total unearned income</b>	<u><b>12,456</b></u>	<u><b>-</b></u>

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

**Purpose and nature of items**

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

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

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

**5.4 Interest-bearing liabilities**

**Current**

Borrowings - secured	2,171	2,794
	<u><b>2,171</b></u>	<u><b>2,794</b></u>

**Non-current**

Borrowings - secured	8,605	9,298
	<u><b>8,605</b></u>	<u><b>9,298</b></u>
<b>Total</b>	<u><b>10,776</b></u>	<u><b>12,092</b></u>

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

Not later than one year	2,171	2,794
Later than one year and not later than five years	5,139	5,830
Later than five years	3,466	3,468
<b>Total</b>	<u><b>10,776</b></u>	<u><b>12,092</b></u>

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

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

All borrowings taken out by Council can be secured through two avenues, against Council's fixed asset portfolio or the rates levied by Council. The overall balance of secured borrowings accounts for 1.14 percent of the total fixed asset portfolio, or 19 percent of general rates and municipal charge levied in the 2019-20 financial year.

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**Note 5 Our financial position (continued)**

<b>5.5 Provisions</b>	<b>Employee</b>	<b>Landfill restoration</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
<b>2020</b>			
Balance at beginning of the financial year	6,748	7,947	14,695
Additional provisions	4,619	18,018	22,637
Amounts used	(2,532)	(958)	(3,490)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	-	2,029	2,029
<b>Balance at the end of the financial year</b>	<b>8,835</b>	<b>27,036</b>	<b>35,871</b>
<b>2019</b>			
Balance at beginning of the financial year	7,239	7,138	14,377
Additional provisions	3,283	2,879	6,162
Amounts used	(3,774)	(2,754)	(6,528)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	-	684	684
<b>Balance at the end of the financial year</b>	<b>6,748</b>	<b>7,947</b>	<b>14,695</b>
		<b>2020</b>	<b>2019</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>(a) Employee provisions</b>			
<b>Current provisions expected to be wholly settled within 12 months</b>			
Redundancies		1,131	-
Annual leave		921	689
Long service leave		868	858
		<u>2,920</u>	<u>1,547</u>
<b>Current provisions expected to be wholly settled after 12 months</b>			
Annual leave		1,869	1,398
Long service leave		3,474	3,434
		<u>5,343</u>	<u>4,832</u>
<b>Total current provisions</b>		<b>8,263</b>	<b>6,379</b>
<b>Non-current employee provisions</b>			
Long service leave		572	369
<b>Total non-current employee provisions</b>		<b>572</b>	<b>369</b>
<b>Aggregate carrying amount of employee provisions</b>			
Current		8,263	6,379
Non-current		572	369
<b>Total aggregate carrying amount of employee provisions</b>		<b>8,835</b>	<b>6,748</b>

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.

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**Note 5 Our financial position (continued)**

	2020	2019
	\$'000	\$'000
<b>5.5 Provisions (continued)</b>		
<b>(a) Employee provisions (continued)</b>		
<i>Long service leave</i>		
Liability for long service leave (LSL) is recognised in the provision for employee benefits. LSL is measured at present value. Unconditional LSL is disclosed as a current liability. Conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non-current liability.		
Key assumptions:		
- Weighted average discount rates	0.39%	0.76%
- Index rate	1.80%	1.90%
<b>(b) Land fill restoration</b>		
Current	5,220	1,714
Non-current	21,816	6,233
<b>Total land fill restoration</b>	<b>27,036</b>	<b>7,947</b>

Council is obligated to restore the former landfill sites at Plenty and Kangaroo Ground to a particular standard. The provision for landfill restoration has been calculated based on the present value of expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to reinstate the site to a suitable standard as reviewed by the Environmental Protection Agency (EPA). Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

Key assumptions:		
- Discount rate	0.26%	2.61%
- Index rate	2.00%	2.00%
- Estimated remaining costs to rehabilitate	20,520	9,913

The estimated cost to rehabilitate both landfill sites reflects the contracted rehabilitation cost of the Plenty Landfill site plus additional compliance expenditure, with the same costing assumed for Kangaroo Ground based on all known rehabilitation requirements. Rehabilitation of both landfill sites is underpinned by EPA requirements which are reflected in rehabilitation contract.

<b>(c) Aggregate carrying amount of provisions</b>		
Current	13,483	8,093
Non-current	22,388	6,602
<b>Total</b>	<b>35,871</b>	<b>14,695</b>

**5.6 Financing arrangements**

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

Credit card facilities	153	153
<b>Total facilities</b>	<b>153</b>	<b>153</b>
Used facilities	38	30
Unused facilities	115	123
<b>Total</b>	<b>153</b>	<b>153</b>

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**Note 5 Our financial position (continued)**

**5.7 Commitments**

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

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
<b>2020</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Operating</b>					
Arts and culture	9	11	-	-	20
Community	638	5	-	-	643
Community safety	10	-	-	-	10
Fleet	575	106	105	-	786
Infrastructure	29	-	-	-	29
Infrastructure maintenance	462	337	337	-	1,136
Integrated strategy	42	-	-	-	42
Open space	1,032	-	-	-	1,032
Organisational support	2,558	645	855	-	4,058
Transport and traffic	208	-	-	-	208
Waste	4,730	7,076	4,000	-	18,309
<b>Total</b>	<b>10,293</b>	<b>8,180</b>	<b>5,297</b>	<b>-</b>	<b>26,273</b>
<b>Capital</b>					
Land	312	43	-	-	355
Buildings	237	9	17	-	263
Infrastructure	32,199	-	-	-	32,199
<b>Total</b>	<b>32,748</b>	<b>52</b>	<b>17</b>	<b>-</b>	<b>32,817</b>
	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
<b>2019</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Operating</b>					
Buildings	11	9	11	-	31
Business and tourism	24	-	-	-	24
Community	1,172	10	5	-	1,187
Fleet	980	-	-	-	980
Infrastructure maintenance	913	37	-	-	950
Integrated strategy	47	-	-	-	47
Open space	66	-	-	-	66
Organisational support	933	267	450	-	1,650
Sport and leisure	3	-	-	-	3
Waste	78	-	-	-	78
<b>Total</b>	<b>4,227</b>	<b>323</b>	<b>466</b>	<b>-</b>	<b>5,016</b>
<b>Capital</b>					
Land	1,684	123	125	-	1,932
Buildings	6,348	9	26	-	6,383
Plant and equipment	-	-	-	-	-
Infrastructure	959	-	-	-	959
<b>Total</b>	<b>8,991</b>	<b>132</b>	<b>151</b>	<b>-</b>	<b>9,274</b>

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**Note 5 Our financial position (continued)**

**5.8 Leases**

**Policy applicable before 1 July 2019**

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

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

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

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

**Policy applicable after 1 July 2019**

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

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

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

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

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

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

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

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



**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**Note 5 Our financial position (continued)**

**5.8 Leases (continued)**

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

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

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

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

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

<b><i>Right-of-Use Assets</i></b>	Plant and equipment	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 July 2019	1,792	1,792
Additions	22	22
Amortisation charge	513	513
Balance at 30 June 2020	<u>1,301</u>	<u>1,301</u>
<b><i>Lease Liabilities</i></b>		
<b>Lease Liabilities</b>	<b>2020</b>	
Maturity analysis - contractual discounted cash flows	<b>\$'000</b>	
Less than one year	521	
One to five years	665	
More than five years	200	
<b>Total undiscounted lease liabilities as at 30 June</b>	<u><b>1,386</b></u>	
<b>Lease liabilities included in the Balance Sheet at 30 June:</b>		
Current	507	
Non-current	826	
<b>Total lease liabilities</b>	<u><b>1,333</b></u>	

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**Note 5 Our financial position (continued)**

**5.8 Leases (continued)**

**Short-term and low value leases**

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

	<b>2020</b>
<b>Expenses relating to:</b>	<b>\$'000</b>
Short-term leases	570
Leases of low value assets	1
<b>Total</b>	<b>571</b>
Variable lease payments (not included in measurement of lease liabilities)	462

**Non-cancellable lease commitments - short-term and low-value leases**

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

Payable:

Within one year	198
Later than one year but not later than five years	3
<b>Total lease commitments</b>	<b>201</b>

**i. Leases classified as operating leases under AASB 117 Leases**

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

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

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

**ii. Leases previously classified as finance leases**

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

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

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**Note 5 Our financial position (continued)**

**5.8 Leases (continued)**

**Impact on financial statements**

On transition to AASB 16 *Leases*, Council recognised an additional \$1.792 million of right-of-use assets and \$1.792 million of lease liabilities, recognising the difference in retained earnings.

When measuring lease liabilities, Council discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 2.83%.

		<b>2019</b>
		<b>\$'000</b>
Total commitments for future expenditure disclosed at 30 June 2019		2,623
Less recognition exemption for:		
short-term leases		-
leases of low-value assets		6
outsourced service contract commitments		-
Add: Extension options reasonably certain to be exercised		-
Less: Termination options reasonably certain to be exercised		(766)
<b>Finance lease liability recognised as at 30 June 2019</b>		<b><u>1,863</u></b>
<b>Total Discounted Amount using the incremental borrowing rate at 1 July 2019</b>		<b><u>1,792</u></b>

**Note 6 Assets we manage**

**6.1 Non-current assets classified as held for sale**

Cost of acquisition	3,080	3,607
Capitalised development costs	-	-
Borrowing costs capitalised during development	-	-
<b>Total non-current assets classified as held for resale</b>	<b><u>3,080</u></b>	<b><u>3,607</u></b>

Capitalisation rate used in the allocation of borrowing costs	%	%
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Non-current assets classified as held for sale (including disposal groups) are measured at the lower of its carrying amount and fair value less costs of disposal, 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.

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**Note 6 Assets we manage (continued)**

**6.2 Property, infrastructure, plant and equipment**

**Summary of property, infrastructure, plant and equipment**

	At fair value 30 June 2019	Acquisitions	Contributions	Revaluation	Depreciation	Disposal	Transfers	At fair value 30 June 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	422,959	204	-	(5,778)	(123)	(550)	-	416,712
Buildings	37,508	1,819	-	4,143	(1,394)	-	546	42,622
Plant and equipment	5,251	1,099	-	-	(832)	(128)	-	5,390
Infrastructure	455,173	6,160	2,791	(3,374)	(9,815)	(547)	7,742	458,130
Work in progress	16,939	10,947	-	-	-	(21)	(8,288)	19,577
<b>Total</b>	<b>937,830</b>	<b>20,229</b>	<b>2,791</b>	<b>(5,009)</b>	<b>(12,164)</b>	<b>(1,246)</b>	<b>-</b>	<b>942,431</b>

**Summary of work in progress**

	Opening WIP	Additions	Write Offs	Transfers	Closing WIP
	\$'000	\$'000	\$'000	\$'000	\$'000
Land	1,482	1,761	(1)	1,225	4,467
Buildings	9,936	5,526	(20)	(4,968)	10,474
Plant and equipment	-	-	-	-	-
Infrastructure	5,521	3,660	-	(4,545)	4,636
<b>Total</b>	<b>16,939</b>	<b>10,947</b>	<b>(21)</b>	<b>(8,288)</b>	<b>19,577</b>

**Nilumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**Note 6 Assets we manage (continued)**

**6.2 Property, infrastructure, plant and equipment (continued)**

**(a) Property**

	Land - specialised \$'000	Land - non- improvements \$'000	Land improvements \$'000	Total land \$'000	Buildings - heritage \$'000	Buildings - specialised \$'000	Buildings - non- improvements \$'000	Building improvements \$'000	Total buildings \$'000	Work in progress \$'000	Total property \$'000
At fair value 1 July 2019	1,704	416,042	6,102	<b>423,848</b>	10,292	60,738	1,555	-	<b>72,585</b>	<b>11,418</b>	<b>507,851</b>
At anticipated restoration cost 1 July 2019	11,401	-	-	<b>11,401</b>	-	-	-	-	-	-	<b>11,401</b>
Accumulated depreciation at 1 July 2019	(11,401)	-	(889)	<b>(12,290)</b>	(4,002)	(30,766)	(309)	-	<b>(35,077)</b>	-	<b>(47,367)</b>
	<b>1,704</b>	<b>416,042</b>	<b>5,213</b>	<b>422,959</b>	<b>6,290</b>	<b>29,972</b>	<b>1,246</b>	<b>-</b>	<b>37,508</b>	<b>11,418</b>	<b>471,885</b>
<b>Movements in fair value</b>											
Acquisition of assets at fair value	-	-	204	<b>204</b>	-	426	1,393	-	<b>1,819</b>	7,287	<b>9,310</b>
Contributed assets	-	-	-	-	-	-	-	-	-	-	-
Revaluation increments/(decrements)	92	(5,870)	-	<b>(5,778)</b>	747	7,614	(1,315)	-	<b>7,046</b>	-	<b>1,268</b>
Fair value of assets disposed	-	(550)	-	<b>(550)</b>	-	-	-	-	-	(21)	<b>(571)</b>
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	486	60	-	<b>546</b>	(3,743)	<b>(3,197)</b>
	<b>92</b>	<b>(6,420)</b>	<b>204</b>	<b>(6,124)</b>	<b>747</b>	<b>8,526</b>	<b>138</b>	<b>-</b>	<b>9,411</b>	<b>3,523</b>	<b>6,810</b>
<b>Movements in accumulated depreciation</b>											
Depreciation and amortisation	-	-	(123)	<b>(123)</b>	(108)	(1,268)	(18)	-	<b>(1,394)</b>	-	<b>(1,517)</b>
Revaluation increments/(decrements)	-	-	-	-	(281)	(2,619)	(3)	-	<b>(2,903)</b>	-	<b>(2,903)</b>
Accumulated depreciation of disposals	-	-	-	-	-	-	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>(123)</b>	<b>(123)</b>	<b>(389)</b>	<b>(3,887)</b>	<b>(21)</b>	<b>-</b>	<b>(4,297)</b>	<b>-</b>	<b>(4,420)</b>
At fair value 30 June 2020	1,796	409,622	6,306	<b>417,724</b>	11,039	69,264	1,693	-	<b>81,996</b>	<b>14,941</b>	<b>514,661</b>
At anticipated restoration cost 30 June 2020	11,401	-	-	<b>11,401</b>	-	-	-	-	-	-	<b>11,401</b>
Accumulated depreciation at 30 June 2020	(11,401)	-	(1,012)	<b>(12,413)</b>	(4,391)	(34,653)	(330)	-	<b>(39,374)</b>	-	<b>(51,787)</b>
	<b>1,796</b>	<b>409,622</b>	<b>5,294</b>	<b>416,712</b>	<b>6,648</b>	<b>34,611</b>	<b>1,363</b>	<b>-</b>	<b>42,622</b>	<b>14,941</b>	<b>474,275</b>

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**Note 6 Assets we manage (continued)**

**6.2 Property, infrastructure, plant and equipment (continued)**

**(b) Plant and equipment**

	Plant machinery, equipment and motor vehicles	Fixtures, fittings and furniture	Computers and telecomms	Artwork	<b>Total plant and equipment</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
At fair value 1 July 2019	8,513	2,276	959	2,475	<b>14,223</b>
Accumulated depreciation at 1 July 2019	(6,262)	(2,147)	(563)	-	<b>(8,972)</b>
	<b>2,251</b>	<b>129</b>	<b>396</b>	<b>2,475</b>	<b>5,251</b>
<b>Movements in fair value</b>					
Acquisition of assets at fair value	952	-	117	30	<b>1,099</b>
Contributed assets	-	-	-	-	-
Revaluation increments/(decrements)	-	-	-	-	-
Fair value of assets disposed	(433)	-	-	-	<b>(433)</b>
Impairment losses recognised in operating result	-	-	-	-	-
Transfers	-	-	-	-	-
	<b>519</b>	<b>-</b>	<b>117</b>	<b>30</b>	<b>666</b>
<b>Movements in accumulated depreciation</b>					
Depreciation and amortisation	(722)	(41)	(69)	-	<b>(832)</b>
Revaluation increments/(decrements)	-	-	-	-	-
Accumulated depreciation of disposals	305	-	-	-	<b>305</b>
Impairment losses recognised in operating result	-	-	-	-	-
Transfers	-	-	-	-	-
	<b>(417)</b>	<b>(41)</b>	<b>(69)</b>	<b>-</b>	<b>(527)</b>
At fair value 30 June 2020	9,032	2,276	1,076	2,505	<b>14,889</b>
Accumulated depreciation at 30 June 2020	(6,679)	(2,188)	(632)	-	<b>(9,499)</b>
	<b>2,353</b>	<b>88</b>	<b>444</b>	<b>2,505</b>	<b>5,390</b>

**Nilumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**Note 6 Assets we manage (continued)**

**6.2 Property, infrastructure, plant and equipment (continued)**

**(c) Infrastructure**

	Roads	Bridges	Footpaths, trails and cycleways	Drainage	Recreational, leisure and community	Kerb and channel	Waste management	Parks, open spaces and streetscapes	Other infrastructure	Work in progress	Total infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2019	263,381	15,434	25,506	132,705	136,334	25,578	1,287	14,813	11,589	5,521	632,148
Accumulated depreciation at 1 July 2019	(43,171)	(5,406)	(11,946)	(46,185)	(42,517)	(9,696)	(1,287)	(3,658)	(7,588)	-	(171,454)
	220,210	10,028	13,560	86,520	93,817	15,882	-	11,155	4,001	5,521	460,694
<b>Movements in fair value</b>											
Acquisition of assets at fair value	743	-	1,083	485	3,170	66	-	127	486	3,660	9,820
Contributed assets	1,178	-	338	980	-	295	-	-	-	-	2,791
Revaluation increments/(decrements)	18,362	760	13,013	7,677	(43,658)	1,421	-	(209)	-	-	(2,634)
Fair value of assets disposed	(586)	-	(50)	-	-	(9)	-	-	-	-	(645)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-	-
Transfers	1,657	-	-	-	6,085	-	-	-	-	(4,545)	3,197
	21,354	760	14,384	9,142	(34,403)	1,773	-	(82)	486	(885)	12,529
<b>Movements in accumulated depreciation</b>											
Depreciation and amortisation	(3,147)	(537)	(1,320)	(1,569)	(1,739)	(562)	-	(499)	(442)	-	(9,815)
Revaluation increments/(decrements)	(4,549)	126	(4,646)	(2,385)	11,394	(538)	-	(142)	-	-	(740)
Accumulated depreciation of disposals	78	-	17	-	-	3	-	-	-	-	98
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-	-
	(7,618)	(411)	(5,949)	(3,954)	9,655	(1,097)	-	(641)	(442)	-	(10,457)
At fair value 30 June 2020	284,735	16,194	39,890	141,847	101,931	27,351	1,287	14,731	12,075	4,636	644,677
Accumulated depreciation at 30 June 2020	(50,789)	(5,817)	(17,895)	(50,139)	(32,862)	(10,793)	(1,287)	(4,299)	(8,030)	-	(181,911)
	233,946	10,377	21,995	91,708	69,069	16,558	-	10,432	4,045	4,636	462,766

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**Note 6 Assets we manage (continued)**

**6.2 Property, infrastructure, plant and equipment (continued)**

*Acquisition*

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

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

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

<i>Asset recognition thresholds and</i>	<b>Useful life</b>	<b>Threshold</b>
	<b>Years</b>	<b>\$</b>
<b>Property</b>		
Land	Indefinite	Nil
Playgrounds	10-15	1,000
Land improvements	50	5,000
<b>Buildings</b>	50-100	5,000
<b>Plant and Equipment</b>		
Plant and machinery	6-7	1,000
Motor vehicles	6-7	Nil
Furniture, fittings and computers	6-7	1,000
Artwork	Indefinite	500
<b>Infrastructure</b>		
Road surface	12-30	5,000
Road pavement	50-80	5,000
Road formation and earthworks	-	5,000
Road kerb, channel and minor culverts	50	5,000
Traffic treatments/ calming	5-50	5,000
Major bridge culverts	50-100	5,000
Bridges - concrete/steel	100	5,000
Bridges - timber	50	5,000
Footpaths, trails and cycleways	10-50	5,000
Drainage	50-100	5,000
Waste management	5-15	1,000
Guard fence	10	1,000
Fire hydrants	50	1,000
Bus shelters	20	1,000
Reserves furniture	17	1,000
Water treatment devices	15-20	5,000

*Land under roads*

Council recognises land under roads it controls at fair value.



**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**Note 6 Assets we manage (continued)**

**6.2 Property, infrastructure, plant and equipment (continued)**

*Depreciation and amortisation*

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

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

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

Artworks are not depreciated.

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

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

*Repairs and maintenance*

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.

**Valuation of land and buildings**

Valuation of land and buildings were undertaken by a qualified independent valuer, Ms B Stephen of Matheson Stephen Valuations, valuer registration no. 63034. 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. At the time of valuation, available market data, including any impact of the pandemic event, were considered. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

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

Any significant movements in the unobservable inputs for land and land under roads will have a significant impact on the fair value of these assets. These unobservable inputs are not significant to the entire measurement.

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

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

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>DoV</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	
Land - specialised	-	-	1,796	Jun-20
Land - non-specialised	-	-	409,622	Jun-20
Land improvements	-	-	5,294	Jun-20
Buildings - heritage	-	-	6,648	Jun-20
Buildings - specialised	-	-	34,611	Jun-20
Buildings - non-specialised	-	-	1,363	Jun-20
<b>Total</b>	<b>-</b>	<b>-</b>	<b>459,334</b>	

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**Note 6 Assets we manage (continued)**

**6.2 Property, infrastructure, plant and equipment (continued)**

**Valuation of infrastructure**

Valuation of infrastructure assets has been determined in accordance with a valuation undertaken by Council's Director Sustainability and Place Mr Hjalmar Philipp, Bachelor of Engineering (Civil), Graduate Diploma in Municipal Engineering, and MBA (Technology Management).

The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation. Infrastructure assets continue to be valued at replacement cost based fair value in the current pandemic environment, as this best reflects the nature of these community-use assets. The date of the current valuation is detailed in the following table.

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

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>DoV</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	
Roads	-	-	233,946	Jun-20
Bridges	-	-	10,377	Jun-20
Footpaths and cycleways	-	-	21,995	Jun-20
Drainage	-	-	91,708	Jun-20
Recreational, leisure and community	-	-	69,069	Jun-20
Kerb and channel	-	-	16,558	Jun-20
Waste management	-	-	-	Jun-20
Parks, open spaces and streetscapes	-	-	10,432	Jun-20
Other infrastructure	-	-	4,045	Jun-20
<b>Total</b>	<b>-</b>	<b>-</b>	<b>458,130</b>	

**Description of significant unobservable inputs into level 3 valuations**

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

**Land held at anticipated restoration cost**, being the Plenty and Kangaroo Ground landfill sites, is recognised at cost to restore the site to the standard set out by the EPA and all applicable regulations.

**Specialised buildings** are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs are calculated on a square metre basis and ranges from \$230 to \$3,500 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 50 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of 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 assets are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Reconciliation of specialised land</b>		
Land under roads	1,796	1,704
Land held at anticipated restoration cost (Plenty / Kangaroo Ground Landfill Closure)	11,401	11,401
Less: accumulated depreciation	<u>(11,401)</u>	<u>(11,401)</u>
<b>Total specialised land</b>	<b><u>1,796</u></b>	<b><u>1,704</u></b>

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

<b>Note 6 Assets we manage (continued)</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>6.3 Investment in associates</b>		
Investments in associate accounted for by the equity method is:		
- Yarra Plenty Regional Library Service	1,471	1,330
<b>Yarra Plenty Regional Library Service</b>		
<i>Background</i>		
The Yarra Plenty Regional Library Service consists of nine locations and a mobile library service. Responsibility for the provision and management of the Library Service rests with the Regional Library Board, which comprises of two representatives from each of the three member councils. The Regional Library service operates as an independent legal entity and is audited annually by the Auditor General.		
Council's investment in the Yarra Plenty Regional Library Service was decreased by \$265,802 (increase of \$39,619 in 2017/18) due to the decrease in the net assets position of the Corporation (audited at 30 June 2019). Council's equity interest based on contributions is 21.19 percent.		
<b>Fair value of Council's investment in Yarra Plenty Regional Library Service</b>	<u>1,471</u>	<u>1,330</u>
<b>Council's share of accumulated surplus/(deficit)</b>		
Council's share of accumulated surplus/(deficit) at start of year	532	802
Share of net profits/(losses) of associate	139	(270)
Transfers (to)/from reserves	-	-
Distributions for the year	-	-
<b>Council's share of accumulated surplus/(deficit) at end of year</b>	<u>671</u>	<u>532</u>
<b>Movement in carrying value of specific investment</b>		
Carrying value of investment at start of year	1,331	1,597
Share of surplus/(deficit) for year	139	(266)
Share of asset revaluation	-	-
Distributions received	-	-
<b>Carrying value of investment at end of year</b>	<u>1,471</u>	<u>1,331</u>
<b>Council's share of expenditure commitments</b>		
Operating commitments	1,356	1,356
Capital commitments	242	242
<b>Council's share of expenditure commitments</b>	<u>1,598</u>	<u>1,598</u>
<b>Council's share of contingent liabilities and contingent assets</b>		
Council's share of contingent liabilities and contingent assets	-	-
<b>Council's share of contingent liabilities and contingent assets</b>	<u>-</u>	<u>-</u>
<b>Yarra Plenty Regional Library Service Contributions</b>		
Contributions to associate	<u>2,742</u>	<u>2,761</u>

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.

Council is not involved in any joint arrangements at balance date.

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

<b>Note 7 People and relationships</b>	<b>2020</b>	<b>2019</b>
	No.	No.

**7.1 Council and key management remuneration**

**(a) Related parties**

*Parent entity*

Nillumbik Shire Council is the parent entity

*Subsidiaries and associates*

Interests in subsidiaries and associates are detailed in note 6.3.

**(b) Key management personnel**

Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:

**Councillors**

- Cr Jane Ashton (01/07/2019 - 30/06/2020)
- Cr Grant Brooker (01/07/2019 - 30/06/2020)
- Cr Peter Clarke (01/07/2019 - 30/06/2020)
- Cr John Dumaresq (01/07/2019 - 30/06/2020)
- Cr Karen Egan, Mayor (01/07/2019 - 30/06/2020)
- Cr Peter Perkins (01/07/2019 - 30/06/2020)
- Cr Bruce Ranken (01/07/2019 - 30/06/2020)

**Chief Executive Officer** Mr Carl Cowie (01/07/2019 - 30/06/2020)

**Key Management Personnel reporting directly to the CEO**

- Mr Hjalmar Philipp, Director Sustainability and Place (01/07/2019 - 30/06/2020)
- Mr Vincenzo Lombardi, Chief Financial Officer (01/07/2019 - 30/06/2020)
- Ms Blaga Naumoski, Executive Manager Governance and Legal (01/07/2019 - 30/06/2020)
- Mr Mitchell Grayson, Executive Manager Communications and Engagement (01/07/2019 - 16/08/2019)
- Mr Jeremy Livingston, Executive Manager Transformation and Performance (01/07/2019 - 30/06/2020)
- Ms Kylie Lethbridge, Executive Manager Economic Development and Tourism (01/07/2019 - 04/10/2019)
- Ms Corrienne Nichols, Executive Manager Communities (01/07/2019 - 30/06/2020)
- Ms Rosalia Zouzoulas, Executive Manager Planning and Community Safety (26/08/2019 - 30/06/2020)

	2020	2019
	No.	No.
Total number of Councillors	7	7
Chief Executive Officer and other key management personnel	9	12
<b>Total key management personnel</b>	16	19

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

<b>Note 7 People and relationships (continued)</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>7.1 Council and key management remuneration (continued)</b>		
<b>(c) Remuneration of key management personnel</b>		
Total remuneration of key management personnel was as follows:		
Short-term benefits	2,154	2,578
Long-term benefits	22	159
Post employment benefits	-	-
Termination benefits	61	369
<b>Total</b>	<b>2,237</b>	<b>3,106</b>

The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:

	<b>2020</b>	<b>2019</b>
	<i>No.</i>	<i>No.</i>
\$20,000 - \$29,999	5	5
\$40,000 - \$49,999	-	1
\$60,000 - \$69,000	1	1
\$80,000 - \$89,999	1	-
\$140,000 - \$149,999	-	1
\$160,000 - \$169,999	-	1
\$170,000 - \$179,999	-	2
\$180,000 - \$189,999	-	1
\$190,000 - \$199,999	1	1
\$200,000 - \$209,999	-	1
\$210,000 - \$219,999	2	2
\$220,000 - \$229,999	1	-
\$250,000 - \$259,999	-	1
\$260,000 - \$269,999	1	1
\$290,000 - \$299,999	1	-
\$300,000 - \$309,999	-	1
\$390,000 - \$399,999	1	-
	<b>14</b>	<b>19</b>

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**Note 7 People and relationships (continued)**

**7.1 Council and key management remuneration (continued)**

**(d) Senior officer remuneration**

A senior officer is an officer of Council, other than Key Management Personnel, who:  
a) has management responsibilities and reports directly to the Chief Executive; or  
b) whose total annual remuneration exceeds \$151,000.

The number of senior officers are shown below in their relevant income bands:

	<b>2020</b>	<b>2019</b>
	<i>No.</i>	<i>No.</i>
\$60,000 - \$69,999	-	2
\$130,000 - \$139,999	1	1
\$140,000 - \$149,999	1	-
\$150,000 - \$159,000	4	4
\$160,000 - \$169,999	2	1
\$170,000 - \$179,999	3	1
\$180,000 - \$189,999	2	-
\$190,000 - \$199,000	-	1
\$290,000 - \$299,000	-	1
	<u>13</u>	<u>11</u>

Total Remuneration for the reporting year for senior officers included above, amounted to:

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
	<u>2,134</u>	<u>1,698</u>

**7.2 Related party disclosure**

**(a) Transactions with related parties**

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

Purchase of property at public auction	-	-
Payment of invoices to related party supplier for services rendered	-	-
<b>Total transactions with related parties</b>	<u>-</u>	<u>-</u>

**(b) Outstanding balances with related parties**

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

**(c) Loans to/from related parties**

There were no loans made, guaranteed or secured by Council to a related party during the reporting period and no loans to or from related parties outstanding as at the end of the reporting period.

**(d) Commitments to/from related parties**

There were no commitments in existence at balance date that were made, guaranteed or secured by Council.

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

<b>Note 8 Managing uncertainties (continued)</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>

**8.1 Contingent assets and liabilities**

**(a) Contingent assets**

***Contributions***

From time to time Council receives gifted infrastructure assets from property developers. The nature and timing of these assets is conditional upon subdivisional requirements being completed. Once received by Council ongoing maintenance costs become the responsibility of the Council.

**(b) Contingent liabilities**

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

The following are potential contingencies are to be considered by Council.

**Superannuation**

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

*Future superannuation contributions*

Council has paid no unfunded liability payments to Vision Super. There were contributions outstanding totalling \$169,740 (Nil as at 30 June 2019) and no loans issued from or to the above schemes as at 30 June 2020. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2020 is \$0.09 million (\$0.16 million as at 30 June 2019).

**Legal Matters**

Council is currently seeking legal advice on the validity of infringement notices issued within the Shire. The potential exposure is estimated to be between \$1 million and \$1.5 million. It is expected that clarification on the matter will be obtained prior to 30 June 2021.

Council is currently reviewing four public liability claims and one industrial special risks claim. Council's exposure is limited to the insurance excess of \$20,000 per public liability claim and \$15,000 for the industrial special risks claim.

No allowance has been made in the financial report for contingencies of a legal nature.

**Building cladding**

Council has not identified any potential contingent liability that exists in relation to rectification works or other matters associated with building cladding that may have the potential to adversely impact on Council.

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

Note 8 Managing uncertainties (continued)	2020 \$'000	2019 \$'000
<b>8.1 Contingent assets and liabilities (continued)</b> <b>(b) Contingent liabilities (continued)</b> <b>Liability Mutual Insurance</b> Council is a participant of the MAV Liability Mutual Insurance (LMI) Scheme. The LMI scheme provides public liability and professional indemnity insurance cover. The LMI scheme states that each participant will remain liable to make further contributions to the scheme in respect of any insurance year in which it was a participant to the extent of its participant's share of any shortfall in the provision set aside in respect of that insurance year, and such liability will continue whether or not the participant remains a participant in future insurance years.		
<b>(c) Guarantees for loans to other entities</b> <b>Total guarantees for loans to other entities</b>	1,459	1,069

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

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

**8.2 Change in accounting standards**

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

**AASB 1059 Service Concession Arrangements: Grantors (AASB 1059) (applies 2020/21 for LG Sector)**

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

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

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

**AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material (applies 2020/21 for LG Sector)**

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

**AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework (applies 2020/21 for LG Sector)**

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



**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**Note 8 Managing uncertainties (continued)**

**8.3 Financial Instruments**

**(a) Objectives and policies**

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

**(b) Market risk**

Market risk is the risk that the fair value or future cash flows of 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. Council's interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes us to fair value interest rate risk / 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; and
- benchmarking of returns and comparison with budget.

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

Interest rate movements have been sufficiently significant during the year to have a marginal impact on the Council's year end result and Council will continue to monitor market activity to maximise Council's return.

**(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. Council have exposure to credit risk on some financial assets included in our balance sheet. Particularly significant areas of credit risk exist in relation to outstanding fees and fines as well as loans and receivables from sporting clubs and associations. To help manage this risk:

- Council have a policy for establishing credit limits for the entities we deal with;
- Council may require collateral where appropriate; and
- Council only invest surplus funds with financial institutions which have a recognised credit rating specified in 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. Impairment of receivables has been reviewed with consideration given to Council's Covid-19 Financial Hardship Policy.

There are no material financial assets which are individually determined to be impaired, with consideration given to impacts resulting from the current pandemic event.

Council 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 8.1.

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**Note 8 Managing uncertainties (continued)**

**8.3 Financial Instruments (continued)**

**(c) Credit risk (continued)**

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 8.1(c), and is deemed insignificant based on prior periods' data and current assessment of risk.

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

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

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

**(e) Sensitivity disclosure analysis**

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

- A parallel shift of + 1 percent and -1 percent in market interest rates (AUD) from year-end rates of 1.00 percent.

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.

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**Note 8 Managing uncertainties (continued)**

**8.4 Fair value measurement**

*Fair value hierarchy*

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

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

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.

*Revaluation*

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use on an asset result in changes to the permissible or practical highest and best use of the asset.

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis, currently every second year. The valuation is performed either by experienced council officers or independent experts. A formal revaluation of land, buildings and infrastructure assets was undertaken in 2020.

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.

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**Note 8 Managing uncertainties (continued)**

**8.4 Fair value measurement (continued)**

*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.

**8.5 Events occurring after balance date**

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

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**Note 9 Other matters**

**9.1 Reserves**

**(a) Asset revaluation reserve**

	Balance at beginning of reporting period \$'000	Increment/ (decrement) \$'000	Balance at end of reporting period \$'000
<b>2020</b>			
<b>Property</b>			
Land, land improvements and playgrounds	322,651	(6,130)	316,521
Buildings	50,347	(28,096)	22,251
<b>Total property</b>	<b>372,998</b>	<b>(34,226)</b>	<b>338,772</b>
<b>Plant and Equipment</b>			
Plant, machinery and vehicles	535	-	535
Furniture, equipment and computers	689	-	689
Artwork	1,368	-	1,368
<b>Total plant and equipment</b>	<b>2,592</b>	<b>-</b>	<b>2,592</b>
<b>Infrastructure</b>			
Roads	92,082	13,945	106,027
Bridges	3,315	861	4,176
Footpaths and cycleways	(452)	8,368	7,916
Drainage	42,014	5,292	47,306
Kerb and channel	8,309	883	9,192
Traffic treatments	6,975	(132)	6,843
Other infrastructure	401	-	401
<b>Total infrastructure</b>	<b>152,644</b>	<b>29,217</b>	<b>181,861</b>
<b>Total asset revaluation reserves</b>	<b>155,235</b>	<b>(5,009)</b>	<b>523,226</b>
<b>2019</b>			
<b>Property</b>			
Land, land improvements and playgrounds	322,349	302	322,651
Buildings	43,180	7,167	50,347
<b>Total property</b>	<b>365,529</b>	<b>7,469</b>	<b>372,998</b>
<b>Plant and Equipment</b>			
Plant, machinery and vehicles	535	-	535
Furniture, equipment and computers	689	-	689
Artwork	1,368	-	1,368
<b>Total plant and equipment</b>	<b>2,592</b>	<b>-</b>	<b>2,592</b>
<b>Infrastructure</b>			
Roads, earthworks	91,334	748	92,082
Bridges	3,416	(101)	3,315
Footpaths and cycleways	762	(1,214)	(452)
Drainage	45,326	(3,312)	42,014
Kerb and channel	8,306	3	8,309
Traffic treatments	6,965	10	6,975
Other infrastructure	401	-	401
<b>Total infrastructure</b>	<b>156,510</b>	<b>(3,866)</b>	<b>152,644</b>
<b>Total asset revaluation reserves</b>	<b>524,632</b>	<b>3,603</b>	<b>528,235</b>

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

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**Note 9 Other matters (continued)**

**9.1 Reserves (continued)**

**(b) Other reserves**

Statutory reserves are those for which Council is required to separately account for by statute. Funds are held for specific purposes as described in the reserve account name.

Discretionary Reserves are those for which Council does have discretion over the manner in which funds are expended. Funds held in these reserve accounts are held for the purposes describe in the reserve account name.

	Balance at beginning of reporting period \$'000	Net of transfer to / (from) accum. surplus \$'000	Balance at end of reporting period \$'000
<b>2020</b>			
<b>Statutory cash backed reserves</b>			
Car parks	97	-	97
Development planning overlays: infrastructure	2,690	244	2,934
Development contribution plans: open space	2,356	1,052	3,408
Development contribution construction	196	2	198
Native vegetation	247	(13)	234
Open space	1,981	473	2,454
Street light contributions	28	-	28
Street trees	76	3	79
Yarrambat drainage scheme	457	(2)	455
Yarrambat drainage extension area	161	2	163
<b>Total cash backed statutory reserves</b>	<b>8,289</b>	<b>1,761</b>	<b>10,050</b>
<b>Discretionary reserves</b>			
Bridgeford Estate	48	(1)	47
Carried forward projects	18,399	(5,154)	13,245
Cricket pitch renewal	8	7	15
Defined benefit superannuation potential future calls	1,455	(1,455)	-
Grants program management	-	-	-
Information technology	987	2,178	3,165
Leisure facility improvements	355	20	375
MAV bond repayment	5,383	(1,528)	3,855
Major projects	124	(124)	-
Plant replacement	2,812	(867)	1,945
Plenty and Kangaroo Ground landfill restoration	2,007	92	2,099
Public art program	200	15	215
Rates surplus	-	-	-
Special rates	-	-	-
<b>Total discretionary reserves</b>	<b>31,778</b>	<b>(6,819)</b>	<b>24,959</b>
<b>Total other reserves</b>	<b>40,067</b>	<b>(5,058)</b>	<b>35,009</b>

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**Note 9 Other matters (continued)**

**9.1 Reserves (continued)**

	Balance at beginning of reporting period \$'000	Net of transfer to / (from) accum. surplus \$'000	Balance at end of reporting period \$'000
<b>(b) Other reserves (continued)</b>			
<b>2019</b>			
<b>Statutory cash backed reserves</b>			
Car parks	97	-	97
Development planning overlays: infrastructure	2,975	(285)	2,690
Development contribution plans: open space	2,443	(87)	2,356
Development contribution construction	191	5	196
Native vegetation	245	2	247
Open space	1,504	477	1,981
Street light contributions	28	-	28
Street trees	76	-	76
Yarrambat drainage scheme	467	(10)	457
Yarrambat drainage extension area	157	4	161
<b>Total cash backed statutory reserves</b>	<b>8,183</b>	<b>106</b>	<b>8,289</b>
<b>Discretionary reserves</b>			
Bridgeford Estate	50	(2)	48
Carried forward projects	14,667	3,732	18,399
Cricket pitch renewal	5	3	8
Defined benefit superannuation potential future calls	1,341	114	1,455
Grants program management	59	(59)	-
Information technology	986	1	987
Leisure facility improvements	412	(57)	355
MAV bond repayment	4,828	555	5,383
Major projects	1,767	(1,643)	124
Plant replacement	3,046	(234)	2,812
Plenty and Kangaroo Ground landfill restoration	3,119	(1,112)	2,007
Public art program	154	46	200
Rates surplus	-	-	-
Special rates	10	(10)	-
<b>Total discretionary reserves</b>	<b>30,444</b>	<b>1,334</b>	<b>31,778</b>
<b>Total other reserves</b>	<b>38,627</b>	<b>1,440</b>	<b>40,067</b>
		<b>2020</b>	<b>2019</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>(c) Statutory cash backed and capital works reserves</b>			
Statutory cash backed reserves		10,050	8,289
Discretionary reserves:			
Bridgeford Estate		47	48
Plenty and Kangaroo Ground landfill restoration		2,099	2,007
<b>Total externally restricted reserves</b>		<b>12,195</b>	<b>10,344</b>

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

	<b>2020</b>	<b>2019</b>
<b>Note 9 Other matters (continued)</b>	<b>\$'000</b>	<b>\$'000</b>
<b>9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)</b>		
Surplus/(deficit) for the year	(14,912)	10,202
Depreciation	12,164	11,650
(Profit)/loss on disposal of property, infrastructure, plant and equipment	599	3,221
Share of net (profits)/losses of associate	(139)	266
Contributions - non-monetary assets	(2,791)	(1,835)
Borrowing cost	709	767
<b>Change in assets and liabilities:</b>		
(Increase)/decrease in trade and other receivables	(1,193)	(2,220)
(Increase)/decrease in prepayments	(121)	681
(Increase)/decrease in accrued income	4,273	(2,395)
Increase/(decrease) in trade and other payables	10,065	1,803
(Increase)/decrease in inventories	9	(5)
Increase/(decrease) in provisions	21,176	(491)
Increase/(decrease) in trust funds	(125)	402
<b>Net cash provided by/(used in) operating activities</b>	<b><u>29,714</u></b>	<b><u>22,046</u></b>



**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**Note 9 Other matters (continued)**

**9.3 Superannuation**

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

**Accumulation**

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2020, this was 9.5 percent 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 with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

**Funding Arrangements**

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

As at 30 June 2018, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 106.0%. The financial assumptions used to calculate the VBIs were:

Net investment return	6.0 percent p.a
Salary inflation	3.5 percent p.a
Price inflation (CPI)	2.0 percent p.a

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

The VBI is to be used as the primary funding indicator. Because the VBI was above 100 percent, the 30 June 2018 interim actuarial investigation determined the defined benefit category was in a satisfactory financial position and that no change was necessary to the defined benefit category's funding arrangements from prior years.

**Employer contributions**

*Regular contributions*

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

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.

**Nillumbik Shire Council  
Notes To The Financial Statements  
For The Year Ended 30 June 2020**

**Note 9 Other matters (continued)**

**9.3 Superannuation (continued)**

***Funding calls***

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

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

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

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

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

**The 2018 interim actuarial investigation surplus amounts**

An actuarial investigation is conducted annually for the Defined Benefit category of which Council is a contributing employer. Generally, a full actuarial investigation conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2018 and a full actuarial investigation was conducted as at 30 June 2017.

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

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
- A VBI surplus	131,900	69,800
- A total service liability surplus	218,300	193,500
- A discounted accrued benefits surplus	249,100	228,800

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2018.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2018.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2018.

Council was notified of the 30 June 2018 VBI during August 2018 (2017: August 2017).

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**Note 9 Other matters (continued)**

**9.3 Superannuation (continued)**

**The 2019 interim actuarial investigation**

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2019 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2019.

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

<b>Scheme</b>	<b>Type of Scheme</b>	<b>Rate</b>	<b>2020</b>	<b>2019</b>
			<b>\$'000</b>	<b>\$'000</b>
Vision super	Defined benefit	9.50%	-	-
Vision super	Accumulation fund	9.50%	-	-
Other	Accumulation fund	9.50%	-	-

In addition to the above contributions, Council has paid no unfunded liability payments to Vision Super (2018/19 Nil).

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2020.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2020 is \$97,000.

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**10 Change in accounting policy**

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

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

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

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

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

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

**b) AASB 16 Leases**

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

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

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

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

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

**d) Transition impacts**

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

	<b>2019</b> <b>\$'000</b>
Retained earnings at 30 June 2019	397,099
Revenue adjustment - impact of <i>AASB 15 Revenue from Contracts with Customers</i>	-
Income Adjustment - impact of <i>AASB 1058 Income of Not-for-Profit Entities</i>	(1,572)
Retained earnings at 1 July 2019	<b>395,527</b>

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

**Nillumbik Shire Council**  
**Notes To The Financial Statements**  
**For The Year Ended 30 June 2020**

**10 Change in accounting policy**

**d) Transition impacts (continued)**

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

	<b>As reported 30</b>		
	<b>June 2019</b>	<b>Adjustments</b>	<b>Post adoption</b>
<b>Assets</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Right of use assets	-	1,792	1,792
Grants receivable	-	-	-
	<u>-</u>	<u>1,792</u>	<u>1,792</u>
<b>Liabilities</b>			
Unearned income - operating grants	-	566	566
Unearned income - capital grants	-	584	584
Unearned income - other grants	-	264	264
Lease liability - current	-	506	506
Lease liability - non-current	-	1,286	1,286

# Performance Statement

For the year ended 30 June 2020



**Nillumbik Shire Council  
Performance Statement  
For The Year Ended 30 June 2020**

**Description of municipality**

The Shire of Nillumbik covers an area of 432 square kilometres. At its south western gateway, Nillumbik is located less than 25 kilometres north-east of Melbourne, and has the Yarra River as its southern boundary. It extends 29 kilometres to Kinglake National Park in the north/north-east and stretches approximately 20 kilometres from the Plenty River and Yan Yean Road in the west, to Christmas Hills and the Yarra escarpment in the east.

Nillumbik has a population of 65,094 people who enjoy a healthy, safe, family-friendly lifestyle within close-knit communities. Nillumbik has a relatively healthy and affluent community which lives largely in family units in single dwelling properties.

The Shire of Nillumbik is known as the Green Wedge Shire. The term Green Wedge is used by the State Government to describe non-urban areas that surround metropolitan Melbourne, outside the Urban Growth Boundary (UGB). The Nillumbik Green Wedge covers 91 per cent of the total area of the Shire.

**Coronavirus pandemic event**

The impact of the ongoing pandemic event and staged restrictions have been disclosed within the material variation comments where relevant.

**Nillumbik Shire Council  
Performance Statement  
For The Year Ended 30 June 2020**

**Sustainable Capacity Indicators**

Indicator/measure	2015	2016	2017	2018	2019	2020	Material Variations
<b>Population</b>							
<i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$1,220.30	\$1,447.43	\$1,231.36	\$1,240.88	\$1,418.26	\$1,813.33	The current year outcome is driven by non-recurrent expenditure items, most significantly an increase to the provision for landfill rehabilitation. The forecast results show the positive relationship between the growth in rateable properties across the shire and corresponding growth in expenditure.
<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$6,316.21	\$7,081.93	\$7,215.87	\$7,704.20	\$7,928.29	\$8,076.31	The increase is reflective of Council's ongoing investment in upgrades to Council infrastructure in the current financial year.
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	82.08	81.09	81.81	81.92	84.01	84.54	The increase is driven by a minimal increase in the municipal population relative to an increase in road length.
<b>Own-source revenue</b>							
<i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$1,194.05	\$1,212.10	\$1,208.79	\$1,203.11	\$1,183.46	\$1,251.31	The small increase is reflective of a minimal increase in the municipal population and minimal growth in rateable properties in the Shire.
<b>Recurrent grants</b>							
<i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$135.90	\$81.75	\$126.67	\$99.06	\$98.77	\$106.98	The variance is driven by an increase in the recurrent grants received in the current financial year.
<b>Disadvantage</b>							
<i>Relative Socio-Economic Disadvantage</i> [Index of Relative Socio-Economic Disadvantage by decile]	10.00	10.00	10.00	10.00	10.00	10.00	Council's relative socio-economic disadvantage remains stable and the current result is comparable to the previous year.



**Nillumbik Shire Council  
Performance Statement  
For The Year Ended 30 June 2020**

**Service Performance Indicators**

**Service/indicator/measure**

**Aquatic Facilities**

**Utilisation**

*Utilisation of aquatic facilities*

[Number of visits to aquatic facilities / Municipal population]

2015	2016	2017	2018	2019
4.18	2.56	0.80	0.94	2.21

**2020 Material Variations**

8.90 Number of visits has been amended in 2018-2019 and 2019-2020 to reflect all visits to Eltham Leisure Centre, not just the aquatic component of the facility. This was due to an ongoing review of processes and calculations internally against the LGV indicator workbook requirements.

**Service cost**

*Cost of aquatic facilities*

[Direct cost of aquatic facilities less income received / Number of visits to aquatic facilities]

-	-	-	-	-
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\$ 0.08

**Animal Management**

**Health and safety**

*Animal management prosecutions*

[Number of successful animal management prosecutions / Number of animal management prosecutions] x 100

-	-	-	-	-
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100% The 1 prosecution that took place was a result of a barking dog. The annual results recorded are independent year on year, reflective of isolated incidents occurring within the Shire.

**Food Safety**

**Health and safety**

*Critical and major non-compliance outcome notifications*

[Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises] x100

92.41%	100.00%	100.00%	95.24%	94.40%
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98.68% All except one major non-compliant notification was followed up in 2019. The measure can vary depending on timing of the report and follow up at the beginning and end of the calendar year.

**Governance**

**Satisfaction**

*Satisfaction with council decisions*

[Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]

66.70	64.20	57.40	63.00	64.50
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66.70 Satisfaction with Council decisions improved slightly (by 2.2%) in 2019-2020, continuing the upward trend since 2016-2017.

**Nillumbik Shire Council  
Performance Statement  
For The Year Ended 30 June 2020**

**Service Performance Indicators (continued)**

Service/indicator/measure	2015	2016	2017	2018	2019	2020	Material Variations
<b>Home and Community Care (HACC)</b>							
<b>Participation</b>							
<i>Participation in HACC service</i> [Number of people that received a HACC service / Municipal target population for HACC services] x 100	24.50%	23.88%	-	-	-	-	Reporting on HACC ceased on 1 July 2016 due to the introduction of the Commonwealth Government's NDIS and CHSP programs.
<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] x 100	23.74%	40.84%	-	-	-	-	Reporting on HACC ceased on 1 July 2016 due to the introduction of the Commonwealth Government's NDIS and CHSP programs.
<b>Libraries</b>							
<b>Participation</b>							
<i>Active library members</i> [Number of active library borrowers in the last three years / The sum of the population for the last three years] x100	24.88%	23.71%	25.94%	27.38%	30.17%	28.19%	This figure has declined. It has been impacted by the closure of all Nillumbik Shire Council branch libraries from 20 March – 30 June due to the COVID-19 pandemic.
<b>Maternal and Child Health (MCH)</b>							
<b>Participation</b>							
<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] x 100	81.15%	72.88%	77.76%	78.76%	79.82%	81.95%	The Maternal and Child Health service continues to provide a connected and responsive program to families with young children in Nillumbik. This demonstrates strong participation levels prior to the introduction of COVID-19 restrictions.
<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] x 100	76.00%	75.76%	68.29%	78.95%	69.44%	76.32%	The Maternal and Child Health service continues to provide a connected and responsive program to families with young children in Nillumbik. This demonstrates strong participation levels prior to the introduction of COVID-19 restrictions.

**Nillumbik Shire Council  
Performance Statement  
For The Year Ended 30 June 2020**

**Service Performance Indicators (continued)**

Service/indicator/measure	2015	2016	2017	2018	2019	2020 Material Variations
<b>Roads</b> <b>Satisfaction</b> <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]	65.60	65.20	65.30	64.40	65.00	69.90 Satisfaction with sealed local roads increased measurably, up by 7.4%.
<b>Statutory Planning</b> <b>Decision making</b> <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] x 100	36.36%	70.00%	63.16%	80.00%	61.54%	65.00% A total of 20 decisions were issued by VCAT and 13 of these were Council decisions upheld by VCAT.
<b>Waste Collection</b> <b>Waste diversion</b> <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	70.00%	69.30%	66.17%	63.66%	59.06%	59.06% Nillumbik residents diverted 13,488 tonnes of kerbside waste from landfill during 2019-2020. The reduction in diversion is due to an increase of 417 tonnes of garbage stream due to COVID-19 and the diversion of 663 tonnes recyclables to landfill due to the shutdown of Council's kerbside recycling contractor. Nillumbik continues to be well above the State diversion targets.

**Nillumbik Shire Council  
Performance Statement  
For The Year Ended 30 June 2020**

**Financial Performance Indicators**

Dimension/indicator/measure	Results					2020	Forecasts				Material Variations
	2015	2016	2017	2018	2019		2021	2022	2023	2024	
<b>Efficiency</b>											
<i>Revenue level</i>											
<i>Average rate per property assessment</i> [General rates / Number of property assessments]	-	-	-	-	-	\$2,381.17	\$2,388.96	\$2,440.63	\$2,523.50	\$2,595.88	The ongoing increase reflects budgeted increases in rates and charges and the anticipated additional rateable properties created during each year throughout the Shire. <i>(Calculation revised 2019-2020)</i>
<i>Expenditure level</i>											
<i>Expenses per property assessment</i> [Total expenses / Number of property assessments]	\$3,186.17	\$3,329.18	\$3,240.42	\$3,346.25	\$3,837.63	\$4,918.21	\$3,805.75	\$3,822.33	\$3,894.04	\$3,967.04	The current year outcome is driven by non-recurrent expenditure items, most significantly an increase to the provision for landfill rehabilitation. The forecast results show the positive relationship between the growth in rateable properties across the shire and corresponding growth in expenditure.
<i>Workforce turnover</i>											
<i>Resignations and terminations compared to average staff</i> [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	5.68%	12.94%	10.31%	17.57%	26.01%	12.70%	-	-	-	-	Reflective of embedding of organisational restructure.

**Nillumbik Shire Council  
Performance Statement  
For The Year Ended 30 June 2020**

Dimension/indicator/measure	Results					2020	Forecasts				Material Variations
	2015	2016	2017	2018	2019		2021	2022	2023	2024	
<b>Liquidity</b>											
<i>Working capital</i>											
<i>Current assets compared to current liabilities</i> [Current assets / Current liabilities] x100	265.70%	351.48%	353.27%	337.37%	274.40%	177.05%	148.66%	146.76%	149.44%	160.15%	The result is reflective of the implementation of AASB 16 Leases and AASB 1058 Income of Not-for-Profit Entities. All leases are now recognised in the balance sheet as a liability with a corresponding non-current right of use asset. Grant income is recognised as a liability, unearned income, until all obligations have been met. The movement in outlying years reflects borrowing maturities becoming current and cash balances lowering as capital projects are completed.
<b>Liquidity (continued)</b>											
<i>Unrestricted cash</i>											
<i>Unrestricted cash compared to current liabilities</i> [Unrestricted cash / Current liabilities] x 100	71.82%	62.99%	53.74%	84.76%	67.97%	38.60%	57.18%	51.69%	49.85%	58.30%	The trend is driven by the increase in current liabilities and a larger portion of cash being restricted for capital works programs. The growth in unrestricted cash in forecast years reflects the completion of capital works, resulting the reduction of cash-backed discretionary reserves.
<b>Obligations</b>											
<i>Asset renewal</i>											
<i>Asset renewal and upgrade compared to depreciation</i> [Asset renewal and upgrade expense / Asset depreciation] x 100	-	-	-	-	-	102.11%	220.18%	138.72%	124.03%	99.73%	Council continues to invest in public infrastructure and community assets with an underlying criteria being the renewal gap, this is to ensure Council's responsibility remains at a manageable level. The forecast results mirror the capital works program currently scheduled in future years. <i>(Calculation revised 2019-2020)</i>

**Nillumbik Shire Council  
Performance Statement  
For The Year Ended 30 June 2020**

**Financial Performance Indicators**

Dimension/indicator/measure	Results						Forecasts				Material Variations
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
<b>Obligations</b>											
<i>Loans and borrowings</i>											
<i>Loans and borrowings compared to rates</i> [Interest bearing loans and borrowings / Rate revenue] x100	26.74%	23.76%	21.53%	20.23%	18.75%	16.26%	19.91%	14.84%	11.43%	10.23%	Council continues to reduce its existing loans and is projecting to take out further loans in 2020/2021. This is offset by borrowing maturities schedule to occur each year, resulting in a fluctuating trend.
<i>Loans and borrowings repayments</i> <i>compared to rates</i> [Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100	4.47%	2.88%	2.76%	2.44%	2.19%	3.06%	1.90%	5.36%	3.69%	1.49%	Council's loan balances are reducing, the current year result and forecast figures are reflective of loan payouts scheduled.
<i>Indebtedness</i>											
<i>Non-current liabilities compared to own source revenue</i> [Non-current liabilities / Own source revenue] x100	27.87%	34.24%	26.81%	23.53%	20.69%	39.06%	24.50%	21.79%	19.45%	17.12%	The current year reflects the recognition of lease liabilities on the implementation AASB 16 Leases, and projections in outer years show a declining result which is reflective of the reduction in debt and in increase in own source revenue.
<b>Operating position</b>											
<i>Adjusted underlying result</i>											
<i>Adjusted underlying surplus (or deficit)</i> [Adjusted underlying surplus (deficit)/ Adjusted underlying revenue] x100	9.79%	-12.92%	8.46%	5.56%	-9.52%	-32.34%	-0.17%	1.90%	2.71%	3.49%	The underlying driver of the current year deficit is the recognition of grant income under AASB 1058, the increase in employee entitlement provisions and the increase in the provision for landfill rehabilitation. Forecasts show a stabilising trend, reflecting limited growth in own-source revenue and maintenance of operational expenditure in line with service levels.

**Nillumbik Shire Council  
Performance Statement  
For The Year Ended 30 June 2020**

**Financial Performance Indicators**

Dimension/indicator/measure	Results						Forecasts				Material Variations
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
<b>Operating position</b>											
<i>Adjusted underlying result</i>											
<i>Adjusted underlying surplus (or deficit)</i>	9.79%	-12.92%	8.46%	5.56%	-9.52%	-32.34%	-0.17%	1.90%	2.71%	3.49%	The underlying driver of the current year deficit is the recognition of grant income under AASB 1058, the increase in employee entitlement provisions and the increase in the provision for landfill rehabilitation. Forecasts show a stabilising trend, reflecting limited growth in own-source revenue and maintenance of operational expenditure in line with service levels.
<i>[Adjusted underlying surplus (deficit) / Adjusted underlying revenue] x100</i>											
<b>Stability</b>											
<i>Rates concentration</i>											
<i>Rates compared to adjusted underlying</i>	66.41%	88.26%	73.59%	74.02%	76.70%	74.29%	73.76%	73.91%	73.98%	74.06%	This result is reflective of the current and projected stability in underlying revenue and the projected increase in rates and charges.
<i>[Rate revenue / Adjusted underlying revenue] x100</i>											
<b>Rates effort</b>											
<i>Rates compared to property values</i>	0.41%	0.43%	0.39%	0.39%	0.32%	0.32%	0.32%	0.33%	0.34%	0.35%	The consistent trend is reflective of projected annual property revaluations. In outer years, property valuations are forecast to remain stable.
<i>[Rate revenue / Capital improved value of rateable properties in the municipality] x100</i>											

**Nillumbik Shire Council**  
**Notes To The Performance Statement**  
**For The Year Ended 30 June 2020**

**Note 1 Basis of preparation**

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

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

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

The forecast figures included in the performance statement are those adopted by Council in its strategic resource plan on 23 June 2020 and which forms part of the council plan. The strategic resource plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The strategic resource plan can be obtained by contacting Council.



**Nillumbik Shire Council**  
**Certification of the Performance Statement**  
**For The Year Ended 30 June 2020**

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

*Melika Sukunda CA*

**Principal Accounting Officer**

**Date :**

*Greensborough*

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

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

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

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

*Karen Egan (Mayor)*

**Councillor**

**Date :**

*Greensborough*

*Peter Clarke (Deputy Mayor)*

**Councillor**

**Date :**

*Greensborough*

*Carl Cowie*

**Chief Executive Officer**

**Date :**

*Greensborough*