



**SPECIAL COUNCIL MEETING**

**AGENDA**

**WEDNESDAY 20 SEPTEMBER 2017**

**AT 5PM**

**COPACC**



## COLAC OTWAY SHIRE SPECIAL COUNCIL MEETING

20 SEPTEMBER 2017

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## COLAC OTWAY SHIRE COUNCIL SPECIAL MEETING

NOTICE is hereby given that the next **SPECIAL MEETING OF THE COLAC OTWAY SHIRE COUNCIL** will be held in COPACC on 20 September 2017 at 5pm.

### AGENDA

#### 1. I DECLARE THIS MEETING OPEN

##### **OPENING PRAYER**

*Almighty God, we seek your blessing and guidance in our deliberations on behalf of the people of the Colac Otway Shire. Enable this Council's decisions to be those that contribute to the true welfare and betterment of our community.*

**AMEN**

#### 2. PRESENT

#### 3. APOLOGIES

#### 4. MAYORAL STATEMENT

Colac Otway Shire acknowledges the original custodians and law makers of this land, their elders past and present and welcomes any descendants here today.

I ask that we all show respect to each other and respect for the office of an elected representative.

All Council and Committee meetings are audio recorded, with the exception of matters identified as confidential items in the Agenda. This includes the public participation sections of the meetings.

Audio recordings of meetings are taken to facilitate the preparation of the minutes of open Council and Committee meetings and to ensure their accuracy.

In some circumstances a recording will be disclosed to a third party. Those circumstances include, but are not limited to, circumstances, such as where Council is compelled to disclose an audio recording because it is required by law, such as the Freedom of Information Act 1982, or by court order, warrant, or subpoena or to assist in an investigation undertaken by the Ombudsman or the Independent Broad-based Anti-corruption Commission.

Council will not use or disclose the recordings for any other purpose. It is an offence to make an unauthorised recording of the meeting.

The sole purpose of the Special Meeting is to provide in principle approval of the 2016/17 financial statements for Council and to authorise the signing of those statements.

## **5. QUESTION TIME**

At every Special Meeting, a public question time not exceeding 30 minutes will be held to enable any member of the public to question Council but only on items included in the Agenda of that Special Meeting.

Please remember, you must ask a question. If you do not ask a question you will be asked to sit down and the next person will be invited to ask a question.

1. Questions received in writing prior to the meeting (subject to attendance and time).
2. Questions from the floor.

## **6. DECLARATION OF INTEREST**

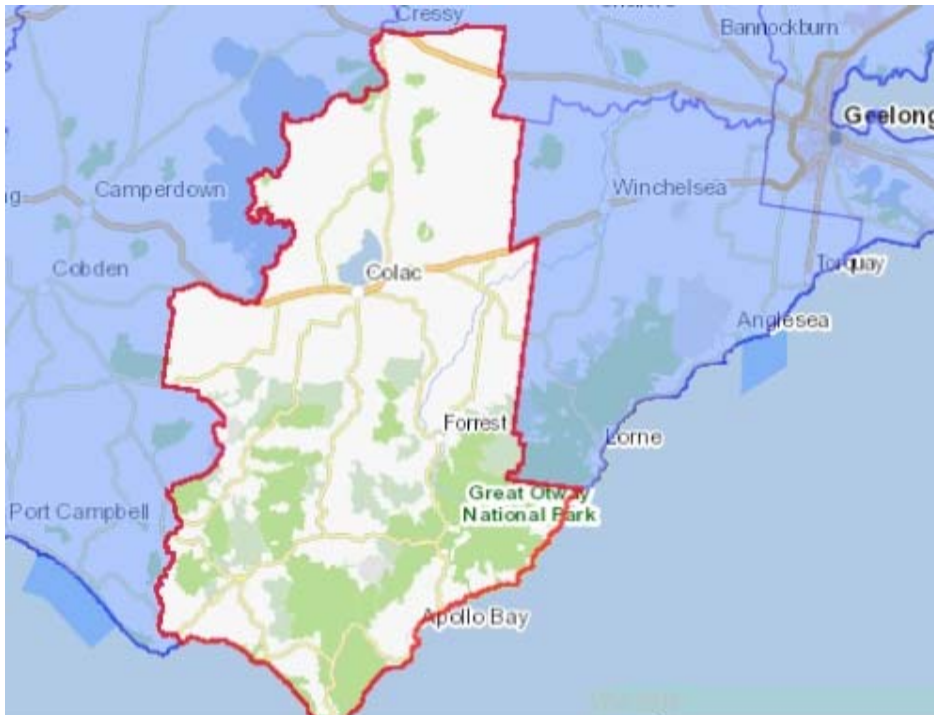
SPECIAL COUNCIL MEETING

# FINANCIAL & PERFORMANCE REPORTING STATEMENTS 2016/17

SC172009-1

<b>LOCATION / ADDRESS</b>	COPACC	<b>GENERAL MANAGER</b>	Errol Lawrence
<b>OFFICER</b>	Daniel Fogarty	<b>DEPARTMENT</b>	Corporate Services
<b>TRIM FILE</b>	F17/6554	<b>CONFIDENTIAL</b>	No
<b>ATTACHMENTS</b>	<ol style="list-style-type: none"> <li>1. 2016/17 Financial Statements</li> <li>2. 2016/17 Performance Statement</li> </ol>		
<b>PURPOSE</b>	<p>To present the Annual Financial and Performance Reporting Statements to Council for adoption and signing for Lodgement with the Victorian Auditor General's Office (VAGO).</p>		

## 1. LOCATION PLAN / AERIAL PHOTO



## 2. EXECUTIVE SUMMARY

The purpose of this report is to give Councillors background information required to provide in-principle approval to the Financial Statements and Performance Statement for the year ended 30 June 2017 and to advise that after adoption at the Special Council meeting on 20 September 2017, Councillor Stephen Hart and Councillor Jason Schram will be authorised to certify them.

## 3. RECOMMENDATION

*That Council:*

- 1. Receives the Annual Financial Performance Report 2016-17 and notes the recommendation from the Audit Committee dated 6 September 2017;*
- 2. Approves, in principle, the 2016-2017 Financial Statements, subject to any changes that are recommended or agreed by the auditor in accordance with section 132(2) of the Local Government Act 1989;*
- 3. Approves, in principle, the 2016-2017 Performance Statement, subject to any changes that are recommended or agreed by the auditor in accordance with Section 132(2) of the Local Government Act 1989;*
- 4. Will refer the 2016-2017 Financial Statements and Performance Statement back to the Audit committee for information, if there is any significant change prior to certification;*
- 5. Authorises Crs Stephen Hart and Jason Schram to certify the final Financial Statements and Performance Statement in accordance with section 132(5)(a) of the Local Government Act 1989; and*
- 6. Records its thanks to the Audit Committee and to those Council staff and staff of LD Assurance who were involved with the preparation of the 2016-2017 Annual Accounts and Audit Processes.*

## 4. BACKGROUND / KEY INFORMATION

### BACKGROUND

Pursuant to sections 132(2) and (5) of the *Local Government Act 1989* (the Act) Council is required to give 'in-principle' approval of the 2016/17 Financial Statements and Performance Statement and authorise two Councillors to approve the statements in their final form after any changes recommended or agreed to by the Victorian Auditor General's Office have been made.

Council's Financial and Performance Statements are audited by the Victorian Auditor General each year. LD Assurance acted as the Auditor General's agent for 2016/17. The Financial and Performance Statements are forwarded to the Victorian Auditor General's Office for final certification by 22 September 2017.

LD Assurance and the Auditor General have reviewed Council's Financial and Performance Statements and have indicated to Council that subject to any subsequent events, Council will be issued with an unmodified audit opinion for both the 2016/17 Financial Statements and the 2016/17 Performance Statement.

It is noted that significant changes were made in the previous financial years to the formats of both the Financial Statements and the Performance Statement as required by the Local Government (Planning and Reporting) Act 2014, and, the introduction of the Local Government Reporting Framework. The 2016/17 Financial and Performance Statements have again been produced in compliance with the appropriate reporting regime where there have been further simplifications to last year's model.

Council's Audit Committee considered the draft 2016/17 Annual Financial Statements and Annual Performance Statement on 6 September 2017 and resolved as follows:

***The Audit Committee recommends that Council:***

- 1. Approves, in principle, the 2016-2017 Financial Statements, subject to any changes that are recommended or agreed by the auditor in accordance with section 132(2) of the Local Government Act 1989;***
- 2. Approves, in principle, the 2016-2017 Performance Statement, subject to any changes that are recommended or agreed by the auditor in accordance with Section 132(2) of the Local Government Act 1989;***
- 3. Makes provision for the 2016-2017 Financial Statements and Performance Statement to be referred back to the Audit committee for information, if there is any significant change prior to certification;***
- 4. Authorises Crs Stephen Hart and Jason Schram to certify the final Financial Statements and Performance Statement in accordance with section 132(5)(a) of the Local Government Act 1989; and***
- 5. Receives the Final Audit Management letter 2016-2017 and acknowledges recommendations and Managements comments***
- 6. Records its thanks to both Council staff and staff of LD Assurance who were involved with the preparation of the 2016-2017 Annual Accounts and Audit Processes.***

Subsequent to the audit committee there were minor cosmetic changes made (the financial statements were not changed) in response to the Victorian Auditor General's comments and some minor corrections identified by the Audit Committee. Those changes involved the following:

1. Corrections to spelling errors
2. Removal of a few immaterial disclosures
3. Corrections to some of the numbers in the note disclosures (no impact on financial statements)

## KEY INFORMATION

### Annual Financial Report 2016/17

Council's 2016/17 Operating Surplus is \$12.958 million, compared to a 2015/16 operating surplus of \$1.652 million. The major factors contributing to movement year on year are:

Item	\$'000
<b>Increase in Surplus between 2015/16 TO 2016/2017</b>	<b>(\$11,300)</b>
<b>Made up of:</b>	<b>\$11,405</b>
Increase in rates due to rate capping	\$1,100
VGC Funding - effect on movement from 16 to 17 of 2016 prepayment	\$3,037
VGC Funding - effect on movement for 2017 of 2018 prepayment	\$3,113
R2R 2017 grant not yet received	(\$2,760)
Bushfire State Government grant received	\$5,430
Additional Disaster recovery grants	\$3,100
Decrease in Landfill Rehabilitation Provision	\$424
Disaster recovery employee costs (\$18k non-claimable only) increase	(\$287)
Increase due to the 1.75% increase from EBA	(\$237)
\$1.4m increase in Disaster recovery M&S costs in 2017	(\$1,400)
Reduction in gain on disposal of assets	(\$115)

As can be seen from the explanations above, the majority of the movements are one-off and/or non-operational movements such as prepayments of VGC grants and upfront disaster recovery funding.

In keeping with our commitment towards financial transparency, we have allocated all surpluses for specific purposes (See Reserves Note 27), the following calculation shows the appropriate allocation:

<b>Appropriation Statement</b>	<b>2017</b>
<b>For the Year Ended 30 June 2017</b>	<b>\$</b>
<b>Surplus/(deficit) for the year</b>	<b>12,957,997</b>
Additional Funding Sources (i.e. depreciation)	9,303,746
Surplus Set aside for future expenditure	(29,141,301)
Use of Surplus previously set aside	17,928,156
Repayment of Borrowings	(799,877)
Capital Works	(10,248,721)
<b>Unallocated Surplus</b>	<b>0</b>

Reflecting the strong Underlying result, Council is holding \$22.69 million of cash at the end of 2016/17 (\$14.24 million 2015/16). Council's total current assets at 30 June 2017 were \$27.28 million (\$17.04m 2015/16), compared to total current liabilities of \$7.84 million (\$8.66 million 2015/16) giving Council a very strong, but inflated (i.e. prepayment of VGC grants) working capital ratio of 348% (196.9% 2015/16).



Council undertook \$10.25 million in capital works during 2016/17, compared to \$12.03 million for 2015/16. The budget for 2016/17 was \$18.297m, the differences were as follows:

- Carried Forward building works of \$451,000 and \$67,000 of savings to completed projects
- Plant & Equipment was under by \$289,000 predominantly relating to \$184,000 of plant awaiting delivery and the remainder relates to an underspending on Council's light fleet
- The majority of the underspend on fixtures, fittings and furniture relates to carried forward projects of \$229,000
- The majority of the underspend on computers & technology relates to purchases that fall under the capitalisation threshold (\$143,000)
- The majority of the variance in roads relates to bushfire infrastructure budget \$2m incorrectly allocated to roads which is being carried over to drainage works. The remaining amount relates to a further \$2m of carry over roads works relating to Conns Lane, Birregurra, Queen Street, Apollo Bay parking improvement and the strategic road improvement programme and \$452,000 of savings on existing projects
- Of the \$1.1m variance in Footpaths and Cycle ways, \$900,000 relates to the carry-over of the CBD and entrances project and \$182,000 relate to the carry-over of the footpath extension programme, footpath renewal programme and the pathway at Mariners lookout.
- Remaining variance explanations can be found at Note 2b and see below a more in depth analysis of Carried forward project amounts.

Total renewal and upgrade of Council assets for 2016/17 was \$9.58 million (\$11.18 million for 2015/16) giving Council a renewal ratio of 99.4% for 2016/17 (123% 2015/16).

In terms of the delivering of capital projects for 2016/17, Council identified net capital expenditure of \$1.33 million (Income of \$3.31m and Expense \$4.64m) to be placed into reserve at the end of 2016/17 so that it can be carried over to 2017/18. Further operational projects of \$1.75m (all expense) have been carried forward to be completed in 2017/18. This results in a total net carry forward of \$3.08m.

### **Annual Performance Statement**

The Local Government Performance Reporting Framework (LGPRF) is a mandatory system of performance reporting for all Victorian councils. It ensures that councils are measuring and reporting on their performance in a consistent way to promote transparency and accountability in the local government sector. It is made up of the following key indicators: Sustainability Capacity, Service Performance and Financial Performance:

#### ***Sustainability Capacity Indicators***

Sustainability Capacity Indicators are designed to provide insight into the sustainability of Councils and their capacity to meet current and future service, infrastructure and other obligations as they fall due.

There has been very little movement in the reported numbers in these indicators from the previous financial year with the variation in all indicators falling below the threshold for materiality.

#### ***Service Performance Indicators***

Service Performance Indicators measure the effectiveness, efficiency and quality of services delivered.

A number of the Service Performance Indicators have shown material variation from the 2015/16 year with the below indicators highlighting the more significant movements:

1. Utilisation of aquatics facilities increased by 122% due to a full year of operations at Bluewater in 2016/17.
2. Animal management prosecutions are down 23% due to increased public awareness of Council's stricter approach to prosecutions of obstinate customers.

### **Financial Performance Indicators**

Financial Performance Indicators measure the soundness of financial management practices.

The below indicators have shown material movements from the previous year in the Financial Performance area:

1. Workforce turnover has increased due to the large turnover of staff during the 2016/17 year largely due to long term serving staff members moving on to new opportunities and a moving on of staff not meeting the expectations of their roles.
2. The Working Capital Ratio has moved by 76% from the previous year due to the early payment of Victorian Grants Commission (VGC) funding and forward payment of Disaster Recovery grant funding.
3. Unrestricted cash indicator has also increased by 182% from 2015/16 for the same reasons noted in point 2 above that centre on early payment of grant funding.
4. The result in the Loans and Borrowings indicator shows a downward trend due to the continued repayment of loans with no new borrowings undertaken by Council during the 2016/17 year.
5. The Adjusted Underlying Result indicator shows an increase of 393% also due to the early payment of VGC and Disaster Recovery funding.

**Note, for all ratios and a more in depth commentary on each ratio's movement, please see attached performance statement.**

Each year, the Victorian Auditor-General's Office (VAGO) issues key ratios and a High/Medium/Low Risk rating for each Council. Using the ratio's VAGO outlined in its annual report last year, the following is an indication of where Colac Otway is expected to finish for the 30 June 2017 financial year:

Indicators	2017	VAGO Risk Benchmarks		
		High	Medium	Low
Net Result Ratio	21.68%	< -10%	-10% to 0%	Greater than 0%
Liquidity Ratio	348.03%	< 100%	100% to 150%	Greater than 150%
Indebtedness Ratio	30.35%	> 60%	40% to 60%	Less than 40%
Internal Financing Ratio	195.77%	< 75%	75% to 100%	Greater than 100%
Capital Replacement Ratio	106.34%	<100%	100% to 150%	Greater than 150%
Renewal Gap	99.38%	<50%	50% to 100%	Greater than 100%

As can be seen above the only ratios where Colac Otway sits in the Medium risk category are the capital works ratios. Although we are right on the low risk border for the Renewal gap ratio, the Capital replacement ratio is close to the high risk category. This ratio is expected to generally create a challenge for Colac Otway Shire as it requires a level of investment in new capital works that is hard to sustain for a low population/low economic demographic.

### **Signing of the Statements**

Two Councillors are required to be authorised to certify the financial statements and the performance statement in their final form after any changes recommended or agreed by the auditor and/or Victorian Auditor General have been made, pursuant to section 132(5) of the Act.

Two Councillors have been elected to the audit committee and as such are the Councillors authorised by the Council to certify the financial statements and the performance statement as per Section 132(5)(a) of the Local Government Act 1989.

### **Preliminary Audit**

The preliminary audit has been conducted by LD Assurance acting on behalf of and appointed by the Victorian Auditor-General. Council's Audit Committee reviewed the draft Statements at its meeting on 6 September 2017 and has recommended these to Council for signing. The preparation of the Statements has been informed by the pro-forma template that is released annually by Local Government Victoria following review by a Model Accounts working group which includes representation from professional accounting practitioners, the Australian Society of Certified Practising Accountants and FinPro.

## ***FURTHER SUPPORTING INFORMATION***

### **5. COMMUNITY CONSULTATION & ENGAGEMENT**

As this is the presentation of factual information the only community engagement will be the presentation of the annual financial & performance statements at the Special Council meeting on 20 September 2017.

### **6. ANALYSIS**

#### **ALIGNMENT TO COUNCIL PLAN OR COUNCIL POLICY**

In keeping with the principles of Financial Management and Openness and Accountability under Theme 4: Our Leadership and Management we present the Audited Annual results for Colac Otway Shire.

#### **ENVIRONMENTAL IMPLICATIONS**

Our commitment to our environment is illustrated by the significant spend in the environmental services area (Approximately \$500,000 of operational expenditure and over \$200,000 in open space, Parks & Gardens and Playground capital projects).

#### **SOCIAL & CULTURAL IMPLICATIONS**

Social and Cultural implications drive the prioritisation and spending of ratepayers money, operational projects undertaken during 2016/17 such as the L2P Learner driver mentor program (\$38,000), Healthy ageing demonstration project (\$48,000), assessment for learning – supporting early years networks (\$13,000) and Arts and Culture Strategy (\$10,000 with a further \$10,000 carried forward to next year) are examples of undertakings with significant Social and Cultural implications.

#### **ECONOMIC IMPLICATIONS**

The economic implications are set out in the attached financial and performance reporting statement. Transparency is at the heart of our approach and it is a strong driver in our use of reserves to account for every dollar of available surplus to ensure it is clear how we spend invaluable ratepayer funds.

#### **LEGAL & RISK IMPLICATIONS**

We have satisfied all legislative and accounting standard requirements as set out in the attached Financial Statements and performance statements.

#### **RESOURCE IMPLICATIONS (FINANCIAL ETC)**

The Financials clearly set out how Colac Otway Shire utilises valuable ratepayer funds to ensure the community gets the maximum value from their rates.

## 7. IMPLEMENTATION STRATEGY

### DETAILS

The financials are compiled with great care and attention over several months beginning around April/May each year culminating in the presentation to the Audit committee and adoption by Council in an open Council meeting in September.

### COMMUNICATION

The Financials statements form part of the Council Annual Report which is Published in October each year and brought to open Council. The Financial Statements standalone are brought to open Council meeting in September in order to resolve to sign the statements for lodgement with the Auditor General's office.

### TIMELINE

The following is the timeline for the Annual Financial and Performance Statements 2016/17:

<b>April to June 2017:</b>	Pre year-end preparation of financials includes review of assets for impairment, restoration and renewal and for undertaking the cyclical revaluation of asset classes.
<b>1 July 2017 to 6 August 2017:</b>	Completion of Financial Statements, notes to the accounts and draft of Performance reporting statements in preparation for the external audit visit by LD assurance from 7/8/17 to 9/8/17.
<b>7 August 2017 to 18 August 2017:</b>	Completion of external audit of Financial Statements and Performance reporting.
<b>18 August 2017 to 30 August 2017:</b>	Completion of Audit Committee reporting
<b>6 September 2017:</b>	Audit Committee meeting
<b>7 September 2017:</b>	Completion of Council briefing papers in preparation for Special Council meeting
<b>13 September 2017:</b>	Councillor briefing of Annual Financial & Performance Statements
<b>20 September 2017:</b>	Adoption and sign-off of Annual Financial & Performance Statements at Special Council meeting
<b>22 September 2017:</b>	Lodgement of Signed Annual Financial & Performance Statement with the Auditor General's office.

## 8. OFFICER DIRECT OR INDIRECT INTEREST

No officer declared an interest under the *Local Government Act 1989* in the preparation of this report.



# Colac Otway

SHIRE

Colac Otway Shire Council  
ANNUAL FINANCIAL REPORT

*For the Year Ended 30 June 2017*

**Colac Otway Shire Council  
Financial Report  
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**Comprehensive Income Statement  
For the Year Ended 30 June 2017**

	Note	2017 \$'000	2016 \$'000
<b>Income</b>			
Rates and charges	3	29,078	27,613
Statutory fees and fines	4	746	633
User fees	5	4,191	4,096
Grants - operating	6	15,804	6,638
Grants - capital	6	7,761	5,559
Contributions - monetary	7	320	545
Contributions - non-monetary	7	334	-
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	8	(5)	(32)
Share of net loss/(gain) of associates and joint ventures	16	32	33
Other income	9	1,518	987
<b>Total income</b>		<b>59,779</b>	<b>46,072</b>
<b>Expenses</b>			
Employee costs	10(a)	18,929	18,431
Materials and services	11	16,850	15,422
Bad and doubtful debts	12	4	3
Depreciation and amortisation	13	9,638	9,082
Borrowing costs	14	280	323
Other expenses	15	1,120	1,159
<b>Total expenses</b>		<b>46,821</b>	<b>44,421</b>
<b>Surplus/(deficit) for the year</b>		<b>12,958</b>	<b>1,652</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)	27	6,977	7,220
<b>Total comprehensive result</b>		<b>19,935</b>	<b>8,872</b>

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



**Balance Sheet  
As at 30 June 2017**

	Note	2017 \$'000	2016 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	17	22,694	14,238
Current Trade and other receivables	18	4,209	2,550
Inventories	19	183	140
Other assets	20	194	116
<b>Total current assets</b>		<u>27,280</u>	<u>17,044</u>
<b>Non-current assets</b>			
Investment in associates and joint ventures	16(a)	338	307
Property, infrastructure, plant & equipment	21	280,798	273,138
Intangible assets	22	11	46
<b>Total non-current assets</b>		<u>281,148</u>	<u>273,491</u>
<b>Total assets</b>		<u>308,428</u>	<u>290,534</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Current Trade and other payables	23	2,824	2,781
Trust funds and deposits	24	463	681
Current Provisions	25	3,947	4,559
Current Interest-bearing loans and borrowings	26	604	636
<b>Total current liabilities</b>		<u>7,839</u>	<u>8,657</u>
<b>Non-current liabilities</b>			
Non-current Provisions	25	7,414	7,871
Non-current Interest-bearing loans and borrowings	26	3,370	4,137
<b>Total non-current liabilities</b>		<u>10,784</u>	<u>12,008</u>
<b>Total liabilities</b>		<u>18,623</u>	<u>20,664</u>
<b>Net assets</b>		<u>289,805</u>	<u>269,870</u>
<b>Equity</b>			
Accumulated surplus/(deficit)		112,153	109,868
Reserves	27	177,652	160,002
<b>Total Equity</b>		<u>289,805</u>	<u>269,870</u>

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

	Note	Accumulated		Revaluation	Other
		Total	Surplus	Reserve	Reserves
2017		\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		269,870	109,868	148,936	11,067
Accumulated surplus/(deficit)		12,958	12,958	-	-
Asset revaluation increment	27(a)	6,977	-	6,977	-
Transfers to other reserves	27(b)	-	(28,601)	-	28,601
Transfers from other reserves	27(b)	-	17,928	-	(17,928)
<b>Balance at end of the financial year</b>		<b>289,805</b>	<b>112,153</b>	<b>155,913</b>	<b>21,740</b>

	Note	Accumulated		Revaluation	Other
		Total	Surplus	Reserve	Reserves
2016		\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		264,355	115,117	141,716	7,522
Prior period adjustment	38	(3,916)	(3,916)	-	-
Accumulated surplus/(deficit)		1,762	1,762	-	-
Asset revaluation increment	27(a)	7,841	-	7,841	-
Asset revaluation (decrement)	27(a)	(172)	449	(621)	-
Transfers to other reserves	27(b)	-	(9,005)	-	9,005
Transfers from other reserves	27(b)	-	5,460	-	(5,460)
<b>Balance at end of the financial year</b>		<b>269,870</b>	<b>109,868</b>	<b>148,936</b>	<b>11,067</b>

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

Statement of Cash Flows  
For the Year Ended 30 June 2017

	Note	2017 Inflows/ (Outflows) \$'000	2016 Inflows/ (Outflows) \$'000
<b>Cash flows from operating activities</b>			
Rates and charges		29,135	27,584
Statutory fees and fines		726	568
User fees		4,238	3,949
Grants - operating		14,011	6,918
Grants - capital		7,761	5,560
Contributions - monetary		320	545
Interest received		455	481
Trust funds and deposits taken/(paid)		(217)	263
Other receipts		639	392
Net GST refund/(payment)		(1)	398
Employee costs		(19,544)	(18,221)
Materials and services		(16,908)	(15,869)
Other payments		(1,120)	(1,186)
<b>Net cash provided by/(used in) operating activities</b>	28	<u>19,493</u>	<u>11,382</u>
<b>Cash flows from investing activities</b>			
Payments for property, infrastructure, plant and equipment	21	(10,249)	(12,618)
Proceeds from sale of property, infrastructure, plant and equipment		291	693
<b>Net cash provided by/(used in) investing activities</b>		<u>(9,957)</u>	<u>(11,925)</u>
<b>Cash flows from financing activities</b>			
Finance costs		(280)	(323)
Repayment of borrowings		(800)	(592)
<b>Net cash provided by/(used in) financing activities</b>		<u>(1,080)</u>	<u>(915)</u>
Net increase/(decrease) in cash and cash equivalents		8,457	(1,458)
Cash and cash equivalents at the beginning of the financial year		14,238	15,696
<b>Cash and cash equivalents at the end of the financial year</b>		<u>22,694</u>	<u>14,238</u>
Financing arrangements	29		
Restrictions on cash assets	17		

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

**Statement of Capital Works  
For the Year Ended 30 June 2017**

	2017 \$'000	2016 \$'000
<b>Property</b>		
Buildings	3,882	3,402
<b>Total property</b>	<u>3,882</u>	<u>3,402</u>
<b>Plant and equipment</b>		
Plant, machinery and equipment	894	1,275
Fixtures, fittings and furniture	153	227
Computers and telecommunications	41	53
<b>Total plant and equipment</b>	<u>1,089</u>	<u>1,555</u>
<b>Infrastructure</b>		
Roads	4,193	5,253
Bridges	163	807
Footpaths and cycleways	378	689
Drainage	102	245
Other infrastructure	440	80
<b>Total infrastructure</b>	<u>5,277</u>	<u>7,074</u>
<b>Total capital works expenditure</b>	<u>10,249</u>	<u>12,031</u>
<b>Represented by:</b>		
New asset expenditure	670	853
Asset renewal expenditure	9,412	8,862
Asset upgrade expenditure	166	2,316
<b>Total capital works expenditure</b>	<u>10,249</u>	<u>12,031</u>

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

#### Introduction

The Colac Otway Shire Council was established by an Order of the Governor in Council on 23 September 1994 and is a body corporate. The Council's main office is located at 2-6 Rae Street Colac Victoria 3250.

#### Statement of compliance

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

The purpose of the Council is to:

- provide for the peace, order and good government of its municipal district;
- to promote the social, economic and environmental viability and sustainability of the municipal district;
- to ensure that resources are used efficiently and effectively and services are provided in accordance with the Best Value Principles to best meet the needs of the local community;
- to improve the overall quality of life of people in the local community;
- to promote appropriate business and employment opportunities;
- to ensure that services and facilities provided by the Council are accessible and equitable;
- to ensure the equitable imposition of rates and charges; and
- to ensure transparency and accountability in Council decision making.

The following information is provided:

External Auditor: Auditor-General of Victoria

Internal Auditor: Crowe Horwath

Solicitors: Maddocks Lawyers  
Harwood Andrews Pty Ltd

Bankers: Commonwealth Bank

Website address: www.colacotway.vic.gov.au

#### Note 1 Significant accounting policies

##### (a) Basis of accounting

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 1(m))
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 1(h))
- the determination of employee provisions (refer to Note 1(j))
- the determination of landfill provisions (refer to Note 1(u))

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

##### (b) Changes in accounting policies

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

##### (c) Principles of consolidation

The consolidated financial statements of Council incorporate all entities controlled by Council as at 30 June 2017, and their income and expenses for that part of the reporting period in which control existed.

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

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

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

There are no entities to be consolidated in these statements.

##### (d) Committees of management

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

Note 1 Significant accounting policies (cont.)

(e) Accounting for investments in associates and joint arrangements

*Associates*

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

Council has one associate entity being Corangamite Regional Library Corporation for which it has a 23.61% share.

*Joint arrangements*

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

(i) *Joint operations*

Council recognises its direct right to, and its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate headings.

(ii) *Joint ventures*

Interests in joint ventures are accounted for using the equity method. Under this method, the interests are initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise Council's share of the post-acquisition profits or losses and movements in other comprehensive income in profit or loss and other comprehensive income respectively.

Council is associated with one Joint venture being the Colac Community Library and Learning Centre with a 50% involvement with the Victorian Department of Education and Early Childhood Development and the Colac Secondary College.

(f) **Revenue recognition**

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

*Rates and Charges*

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

*Statutory fees and fines*

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

*User fees*

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

*Grants*

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

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

*Contributions*

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

*Sale of property, infrastructure, plant and equipment*

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

*Interest*

Interest is recognised as it is earned.

*Other Income*

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

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**Note 1 Significant accounting policies (cont.)**

**(g) Fair value measurement**

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

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

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

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

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

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

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

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

**(h) Cash and cash equivalents**

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

**(i) Trade and other receivables**

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

**(j) Other financial assets**

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

**(k) Inventories**

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

All other inventories, including land held for sale, are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

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

A non-current asset classified as held for sale (including disposal groups) is measured at the lower of its carrying amount and fair value less costs 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.

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

*Acquisition*

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs 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 detailed in Note 1(n) have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

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Note 1 Significant accounting policies (cont.)

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

*Revaluation*

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. Further details regarding the fair value hierarchy are disclosed at Note 21 Property, infrastructure, plant and equipment.

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 2 to 5 years. The valuation is performed either by experienced council officers or independent experts.

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

*Land under roads*

Council recognises all land under roads, acquired after 1 July 2008 which it controls, at fair value.

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

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

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

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

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

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



Note 1 Significant accounting policies (cont.)

(n) Depreciation and amortisation of property, infrastructure plant and equipment and intangibles (cont.)

Asset recognition thresholds and depreciation periods

	Depreciation Period	Threshold Limit \$,000
<b>Land and Buildings</b>		
<b>Land</b>		
land	-	-
land under roads	-	-
land improvements	-	5
<b>Buildings</b>		
heritage buildings	90 - 180 years	5
buildings	10 - 120 years	5
shelters	10 - 90 years	5
building improvements	10 - 180 years	5
leasehold improvements	10 - 180 years	5
<b>Plant and Equipment</b>		
<b>Furniture</b>		
art work	0 - 100 years	4
indoor furniture	5 - 30 years	4
playground equipment	10 - 40 years	4
<b>Plant</b>		
heritage plant and equipment	-	10
fixed plant, machinery and equipment	3 - 50 years	10
fleet (vehicles)	3 - 30 years	10
major plant	3 - 50 years	10
minor plant	3 - 10 years	4
<b>Equipment</b>		
appliances	3 - 60 years	4
fixed equipment / fixtures and fittings	5 - 55 years	4
computers and telecommunications	3 - 21 years	4
leased plant and equipment	-	4
<b>Infrastructure</b>		
<b>Roads</b>		
road and tarmac formation and earthworks	-	10
road and tarmac pavements	10 - 80 years	10
road and tarmac substructure	-	10
road and tarmac seals	10 - 60 years	10
road and tarmac kerb, channel and minor culverts	45 - 80 years	2.5
footpaths and cycleways	15 - 50 years	2.5
<b>Bridges</b>		
bridges deck	10 - 70 years	10
bridges substructure	10 - 70 years	10
bridges major culverts	50 - 70 years	10
<b>Drainage</b>		
open drainage network	10 - 100 years	10
pit and pipe network	40 - 100 years	10
water retention structures	80 - 100 years	10
<b>Other Infrastructure</b>		
gardens and landscaping	5 - 25 years	10
playing surfaces	10 - 70 years	10
retaining structures	10 - 45 years	10
off street car parks	25 - 100 years	10
aerodromes	25 - 100 years	10
<b>Intangible assets</b>		
software	5 years	4

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**Note 1 Significant accounting policies (cont.)**

**(o) Repairs and maintenance**

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

**(p) Investment property**

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

**(q) Impairment of assets**

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

**(r) Trust funds and deposits**

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

**(s) Borrowings**

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

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

*Borrowing costs*

Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council. Except where specific borrowings are obtained for the purpose of specific asset acquisition, the weighted average interest rate applicable to borrowings at balance date, excluding borrowings associated with superannuation, is used to determine the borrowing costs to be capitalised.

Borrowing costs include interest on bank overdrafts, interest on borrowings, and finance lease charges.

**(t) Employee costs and benefits**

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

*Wages and salaries and annual leave*

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

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

*Long service leave*

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

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

The components of this current liability are measured at:

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

Note 1 Significant accounting policies (cont.)

*Classification of employee costs*

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

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

(u) **Landfill rehabilitation provision**

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

(v) **Leases**

*Finance leases*

Leases of assets where substantially all the risks and rewards incidental to ownership of the asset are transferred to the Council are classified as finance leases. Finance leases are capitalised, recording an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments, including any guaranteed residual value. Lease payments are allocated between the reduction of the lease liability and the interest expense. Leased assets are depreciated on a straight line basis over their estimated useful lives to the Council where it is likely that the Council will obtain ownership of the asset or over the term of the lease, whichever is the shorter. Council does not currently have any finance leases.

*Operating leases*

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

*Leasehold improvements*

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. Council does not currently have any leasehold improvements.

(w) **Goods and Services Tax (GST)**

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

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

(x) **Financial guarantees**

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

(y) **Contingent assets and contingent liabilities and commitments**

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

Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value by way of Note 30 and presented inclusive of the GST payable.

(z) **Pending accounting standards**

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

*Revenue from contracts with customers (AASB 15) (applies 2019/20)*

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

*Leases (AASB 16) (applies 2019/20)*

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

Council has an insignificant number of operating leases that will be impacted as a result of this change.

(aa) **Rounding**

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

**Note 2 Budget comparison**

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

The budget figures detailed below are those adopted by Council on 22 June 2016. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

**(a) Income and Expenditure**

	Budget 2017 \$'000	Actual 2017 \$'000	Variance 2017 \$'000	Variance 2017 %	Ref
<b>Income</b>					
Rates and charges	28,744	29,078	334	1%	
Statutory fees and fines	570	746	175	31%	1
User fees	4,588	4,191	(397)	-9%	
Grants - operating	11,064	15,804	4,740	43%	2
Grants - capital	7,858	7,761	(97)	-1%	
Contributions - monetary	371	320	(51)	-14%	3
Contributions - non-monetary	-	334	334	100%	4
Net loss/(gain) on disposal of property, infrastructure, plant and equipment	83	(5)	(88)	-106%	5
Share of net gain/(loss) of associates and joint ventures	-	32	32	100%	6
Other income	799	1,518	719	90%	7
<b>Total income</b>	<b>54,079</b>	<b>59,779</b>	<b>5,701</b>	<b>11%</b>	
<b>Expenses</b>					
Employee costs	19,518	18,929	589	-3%	8
Materials and services	16,825	16,850	(25)	0%	
Bad and doubtful debts	2	4	(2)	115%	
Depreciation and amortisation	10,237	9,638	599	-6%	9
Borrowing costs	289	280	9	-3%	
Other expenses	1,184	1,120	64	-5%	
<b>Total expenses</b>	<b>48,055</b>	<b>46,821</b>	<b>1,234</b>	<b>-3%</b>	
	-	-	-		
<b>Surplus/(deficit) for the year</b>	<b>6,024</b>	<b>12,958</b>	<b>6,934</b>	<b>115%</b>	

Note 2 Budget comparison (cont.)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Statutory fees and fines	Increase in Statutory fees (\$156,000) mainly due to a mid-year increase in all Statutory Planning fees as set by the State Government. There was also a \$27,000 increase in premises registration fees due to higher than budgeted activity.
2	Grants - operating	\$3.1m of the variance relates to the prepayment of the VGC grants, \$560,000 relates to additional bushfire operational grants received not budgeted for and \$750,000 of flood related grants not budgeted for as the event occurred during the 2017 financial year (after the budgets were devised).
3	Contributions - monetary	Received \$19,000 less in developer contributions than budgeted and \$34,000 less than budget for contributions received for the central reserve redevelopment project expected to be received next year.
4	Contributions - non-monetary	Colac Otway received \$334,000 of gifted assets as part of the bushfire recovery works in the Wye River/Separation Creek area.
5	Net loss/(gain) on disposal of property, infrastructure, plant and equipment	\$10,000 of unbudgeted loss on sale of land, \$23,000 of kerb & channel assets written off not budgeted for and \$53,000 less profit on disposal of heavy plant and light fleet compared to budget.
6	Share of net gain/(loss) of associates and joint ventures	Amount not budgeted for as not ascertainable at time of budget preparation.
7	Other income	Reimbursement of Private works not budgeted for of \$151,000, \$74,000 additional interest on investments due to higher than expected cash balances due to Disaster recovery funding not budgeted for, \$24,000 of election penalties not budgeted for and \$23,000 of insurance reimbursements not budgeted for.
8	Employee costs	\$450,000 of this variance relates solely to the bushfire recovery area. This budget was compiled around the time of the event, subsequently we became aware of the funding rules which requires the use of contractors as opposed to employees accordingly the overall costs were similar, simply the balance between Materials & services and Employee costs differed.
9	Depreciation and amortisation	\$800,000 of the variance relates to the fact that at the time of the budget preparation, the Port of Apollo Bay results were still being included in the Shire's, subsequent to this a determination was made during last years end of financial year process to remove the Port's depreciation and assets from the Shire's results. Offsetting this was approximately \$200,000 of additional Shire depreciation as a result of the additional assets being depreciated from disaster recovery works.

Note 2 Budget comparison (cont.)

(b) Capital Works

	Budget 2017 \$'000	Actual 2017 \$'000	Variance 2017 \$'000	Variance 2017 %	Ref
<b>Property</b>					
Buildings	4,446	3,882	(564)	13%	10
<b>Total Buildings</b>	<u>4,446</u>	<u>3,882</u>	<u>(564)</u>	13%	
<b>Total Property</b>	<u>4,446</u>	<u>3,882</u>	<u>(564)</u>	13%	
<b>Plant and Equipment</b>					
Plant, machinery and equipment	1,183	894	(289)	24%	11
Fixtures, fittings and furniture	428	153	(275)	64%	12
Computers and telecommunications	265	41	(224)	84%	13
<b>Total Plant and Equipment</b>	<u>1,877</u>	<u>1,089</u>	<u>(788)</u>	42%	
<b>Infrastructure</b>					
Roads	9,119	4,193	(4,926)	54%	14
Bridges	250	163	(87)	35%	15
Footpaths and cycleways	1,525	378	(1,147)	75%	16
Drainage	450	102	(348)	77%	17
Other Infrastructure	630	440	(190)	30%	18
<b>Total Infrastructure</b>	<u>11,974</u>	<u>5,277</u>	<u>(6,697)</u>	56%	
<b>Total Capital Works Expenditure</b>	<u>18,297</u>	<u>10,249</u>	<u>(8,048)</u>	44%	
<b>Represented by:</b>					
New asset expenditure	370	670	300	-81%	
Asset renewal expenditure	13,135	9,412	(3,723)	28%	
Asset upgrade expenditure	4,792	166	(4,626)	97%	
<b>Total Capital Works Expenditure</b>	<u>18,297</u>	<u>10,249</u>	<u>(8,048)</u>		

Note 2 Budget comparison (cont.)

(i) Explanation of material variations

Variance Ref	Item	Explanation
10	Buildings	\$126,000 was reallocated during the mid-year review for other priorities, \$58,000 carried forward to finish the memorial square refurbishment project, \$115,000 carried forward for the finalisation of the central reserve project, \$67,000 budget savings on completed projects and \$152,000 has been carried forward for finishing off various smaller projects.
11	Plant, machinery and equipment	Major Plant - The new 3m truck \$74,000 and Tractor \$110,000 are on order and due for delivery early in the 2017/18 year. Light Fleet - Due to the timing of the change over of cars and light commercials this was under spent by \$160,000.
12	Fixtures, fittings and furniture	There are \$229,000 of carried forward works relating to the 2 way radio project and the Home and community care (HACC) minor Equipment Programme with a further \$100,000 being not spent from the Street Furniture programme. \$18,000 was also not spent on the Small Town Entry Signage.
13	Computers and telecommunications	The majority of the Information and communication technology Renewal programme falls under the capitalisation threshold of \$4,000. There were also two items that have been carried forward to the 2017/18 year which are the Customer Service management system upgrade and the records management upgrade at \$30,000 each.
14	Roads	There is a \$2.3m budget which is incorrectly allocated to roads and should be in the Drainage area for the Wye River/Separation Creek Drainage System and carried over to next year. There are carry over of works totalling \$2m which includes the following projects:- Conns Lane, Birregurra; Queen Street, Colac; Apollo Bay parking improvement and the Strategic Road improvement programme. There is also an amount of \$452,000 which are savings on completed projects.
15	Bridges	\$36,000 was reallocated during the mid-year review and allocated to other priorities. There is also \$40,000 being carried over for prioritised works in the 2017/18 year and the remaining \$14,000 captured as savings across the programme for the 2016/17 year.
16	Footpaths and cycleways	This includes the carry over for the CBD and entrances project which has commenced in the 2017/18 year to the value of \$900,000. There are also works that are carried over for completion in the 2017/18 year to the value of \$182,000 which relate to the Footpath Extension programme, Footpath Renewal programme and the pathway at Marriners Lookout.
17	Drainage	\$255,000 was reallocated to other projects as a part of the mid-year review process. The stormwater asset upgrade programme has a carry over of \$158,000 which will be used for prioritised works in the 2017/18 year.
18	Other infrastructure	This is the combination from the budget document of works on recreational, leisure and community facilities along with the parks, open space and streetscapes. The breakup of these asset items related to the Fixtures, fittings and furniture category (Playground equipment) of \$60,000.

	2017 \$'000	2016 \$'000
<b>Note 3 Rates and charges</b>		
Council uses Capital Improved Value as the basis of valuation of all properties within the municipal district. The Capital Improved Value of a property is its value of the land plus buildings and other improvements.		
The valuation base used to calculate general rates for 2016/17 was \$5,799 million (2015/16 \$5,386 million).		
<b>Differential rate</b>	<b>2017</b>	<b>2016</b>
Residential Colac	0.004370	0.004513
Residential Balance of Shire	0.003714	0.003836
Rural Farm	0.003452	0.003565
Holiday Rental	0.004370	0.004513
Commercial /Industrial Colac	0.007210	0.007446
Commercial /Industrial Balance of Shire	0.006118	0.006318
General rates residential	14,766	13,694
General rates farm / rural	5,805	5,587
General rates commercial / industrial	3,052	3,095
Municipal charge	2,595	2,488
Garbage charge	2,838	2,726
Special rates and charges	22	22
<b>Total rates and charges</b>	<b>29,078</b>	<b>27,613</b>
The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2016, and the valuation was first applied in the rating year commencing 1 July 2016.		
<b>Note 4 Statutory fees and fines</b>		
Infringements and costs	154	204
Town planning fees	307	170
Health regulations	163	147
Building permits	100	85
Land information certificates	-	23
Engineering fees	22	4
Freedom of information	-	1
<b>Total statutory fees and fines</b>	<b>746</b>	<b>633</b>
<b>Note 5 User fees</b>		
Aged services fees	1,022	1,017
Leisure centre fees	982	774
Colac livestock selling centre fees	509	688
Colac Otway performing arts & cultural centre fees	426	428
Visitor information centre fees	363	389
Parking, animal control and local laws fees	239	216
Waste disposal fees	192	179
Other fees and charges	173	148
Apollo bay harbour fees	112	108
Council properties fees and rental	82	79
Town planning and building services fees	48	42
Child care children's programs	43	27
<b>Total user fees</b>	<b>4,191</b>	<b>4,096</b>
<b>Note 6 Grants</b>		
Grants were received in respect of the following:		
<b>Summary of grants</b>		
Commonwealth funded grants	13,093	7,810
State funded grants	10,472	4,387
<b>Total grants received</b>	<b>23,565</b>	<b>12,197</b>
<b>Operating Grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Victorian grants commission - untied base grant	5,334	1,744
Victorian grants commission - local roads	3,798	1,239
Aged and disability services	874	75
Family and community services	383	258
Diesel rebate scheme	42	49
Port management	-	186
Environment and protection services	-	25



Note 6 Grants (cont.)	2017 \$'000	2016 \$'000
<b>Recurrent - State Government</b>		
Port management	811	716
Aged and disability services	393	1,366
Maternal and child health	245	215
Recreation and culture	95	290
Environment and protection services	81	46
School crossing supervisors	45	49
Community safety	7	19
Family and community services	1	32
<b>Total recurrent operating grants</b>	<b>12,110</b>	<b>6,309</b>
<b>Non-recurrent - Commonwealth Government</b>		
Recreation and culture	5	-
<b>Non-recurrent - State Government</b>		
Bushfire recovery	2,644	15
Flood recovery	750	-
Business and economic services	188	-
Family and community services	96	-
Port management	10	-
Aged and disability services	3	314
<b>Total non-recurrent operating grants</b>	<b>3,695</b>	<b>329</b>
<b>Total operating grants</b>	<b>15,804</b>	<b>6,638</b>
<b>Capital Grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Bluewater leisure centre building upgrade	-	4,017
Roads to recovery	115	-
<b>Recurrent - State Government</b>		
Aged and disability services	15	-
Bluewater leisure centre building upgrade	-	271
Environment and protection services	-	250
Port management	-	92
Recreation and culture	-	23
<b>Total recurrent capital grants</b>	<b>130</b>	<b>4,653</b>
<b>Non-recurrent - Commonwealth Government</b>		
Central reserve redevelopment	1,712	-
Maternal and child health	19	-
Bluewater leisure centre building upgrade	-	217
<b>Non-recurrent - State Government</b>		
Bushfire recovery	5,430	-
Recreation and culture	276	399
Bluewater leisure centre building upgrade	115	-
Local roads and bridges	40	290
Port management	20	-
Business and economic services	10	-
Central reserve redevelopment	10	-
<b>Total non-recurrent capital grants</b>	<b>7,632</b>	<b>906</b>
<b>Total capital grants</b>	<b>7,761</b>	<b>5,559</b>
<b>Unspent grants received on condition that they be spent in a specific manner</b>		
Balance at start of year	2,347	1,482
Received during the financial year and remained unspent at balance date	380	1,764
Received in prior years and spent during the financial year	(1,809)	(899)
<b>Balance at year end</b>	<b>918</b>	<b>2,347</b>
<b>Note 7 Contributions</b>		
Monetary	320	545
Non-monetary	334	-
<b>Total contributions</b>	<b>654</b>	<b>545</b>
<i>Contributions of non monetary assets were received in relation to the following asset classes:</i>		
Kerb and Channel	116	-
Footpath	81	-
Roads	157	-
<b>Total non-monetary contributions</b>	<b>334</b>	<b>-</b>
<b>Note 8 Net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>		
Proceeds of sale	291	557
Written down value of assets disposed	(297)	(588)
<b>Total net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>	<b>(5)</b>	<b>(32)</b>
<b>Note 9 Other income</b>		
Interest	336	333
Reimbursements	472	244
Other income	154	158
Interest on rates	119	132
Landfill rehabilitation present value movement	424	116
Private works	-	4
Licensing fees	-	1
State Revenue Office	14	-
<b>Total other income</b>	<b>1,518</b>	<b>987</b>

	2017 \$'000	2016 \$'000
<b>Note 10 (a) Employee costs</b>		
Wages and salaries	12,889	12,872
Wages and salaries - Bushfire	722	542
Wages and salaries - Flood	112	-
Employee leave	1,555	1,878
Superannuation	1,595	1,543
Casual staff	915	579
Casual staff - Bushfire	-	3
Sick leave	577	409
Other employee benefits	224	249
Other employee benefits - Bushfire	7	9
Other employee benefits - Flood	1	-
Fringe benefits tax	144	200
WorkCover	189	147
<b>Total employee costs</b>	<b>18,929</b>	<b>18,431</b>

**Note 10 (b) Superannuation**

Council made contributions to the following funds:

**Defined benefit fund**

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	159	324
	<u>159</u>	<u>324</u>

**Accumulation funds**

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	920	652
Employer contributions - other funds	516	567
	<u>1,436</u>	<u>1,219</u>
Employer contributions payable at reporting date.	<u>140</u>	<u>158</u>

Refer to note 32 for further information relating to Council's superannuation obligations.

**Note 11 Materials and services**

Materials	2,577	4,105
Materials - Bushfire	73	112
Materials - Flood	243	-
Contract Payments	4,771	3,292
Contract Payments - Bushfire	1,784	331
Contract Payments - Flood	199	-
Services	1,307	1,522
Services - Bushfire	9	38
Consultants	971	747
Consultants - Bushfire	214	558
Consultants - Flood	29	-
Subscriptions and memberships	1,025	1,214
Utilities	933	992
Plant and equipment maintenance	1,064	878
Insurances	480	540
Agency staff	308	214
Agency staff - Bushfire	-	115
Advertising	236	242
Training costs	165	199
Training costs - Bushfire	2	15
Legal costs	298	189
Hire costs	88	82
Hire costs - Bushfire	65	32
Permits	8	4
<b>Total materials and services</b>	<b>16,850</b>	<b>15,422</b>

**Note 12 Bad and doubtful debts**

Other debtors	4	3
<b>Total bad and doubtful debts</b>	<b>4</b>	<b>3</b>

**Note 13 Depreciation and amortisation**

Property	1,231	991
Plant and equipment	1,770	1,827
Infrastructure	6,601	6,178
<b>Total depreciation</b>	<b>9,603</b>	<b>8,996</b>
Intangible assets	35	86
<b>Total depreciation and amortisation</b>	<b>9,638</b>	<b>9,082</b>

Refer to note 21 and 22 for a more detailed breakdown of depreciation and amortisation charges

	2017 \$'000	2016 \$'000
<b>Note 14 Borrowing costs</b>		
Interest - Borrowings	280	323
<b>Total borrowing costs</b>	<b>280</b>	<b>323</b>
Council does not capitalise borrowing costs.		
<b>Note 15 Other expenses</b>		
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	43	61
Community grants and donations	582	573
Councillors' allowances	242	245
Waste management charge	128	121
Fire services levy	59	59
Animal registration levy	17	20
Royalties and commissions	4	7
Other	44	75
<b>Total other expenses</b>	<b>1,120</b>	<b>1,159</b>
<b>Note 16 Investment in associates and joint ventures</b>		
<b>(a) Investments in associates.</b>		
Investments in associates accounted for by the equity method are:		
- Corangamite Regional Library Corporation		
- Colac Community Library and Learning Centre		
<b>Corangamite Regional Library Corporation</b>		
<i>Background</i>		
The Corangamite Regional Library Corporation is a corporation owned by four (4) councils: Colac Otway Shire, Corangamite Shire, Moyne Shire and Warrambool City. Colac Otway Shire has a 23.61% equity interest in 2016/2017 (2015/2016 23.74%).		
<b>Fair value of Council's investment in Corangamite Regional Library Corporation</b>	<b>338</b>	<b>307</b>
<b>Council's share of accumulated surplus/(deficit)</b>		
Council's share of accumulated surplus/(deficit) at start of year	(190)	(240)
Reported surplus/(deficit) for year	32	33
Transfers (to) from reserves	7	18
Council's share of accumulated surplus/(deficit) at end of year	<b>(151)</b>	<b>(190)</b>
<b>Council's share of reserves</b>		
Council's share of reserves at start of year	496	514
Transfers (to) from reserves	(7)	(18)
Council's share of reserves at end of year (based on population)	<b>490</b>	<b>496</b>
<b>Movement in carrying value of specific investment</b>		
Carrying value of investment at start of year	306	274
Share of surplus/(deficit) for year	32	33
Carrying value of investment at end of year	<b>338</b>	<b>307</b>
<b>Significant restrictions</b>		
The associate is not required to repay dividends, loans or advances to Council.		

**Note 16 Investment in associates and joint ventures (cont.)**

<b>(b) Investments joint ventures</b>	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>

**Colac Community Library and Learning Centre**

*Background*

The Colac Community Library and Learning Centre is a joint venture between the Colac Otway Shire and Victorian Department of Education and Early Childhood Development and the Colac Secondary College, which results in Colac Otway Shire legally owning 50% of the assets.

The venture's purpose is to construct and operate a joint use library facility.

Council's commitment to the venture is limited to providing a contribution to the construction and fitout costs. Council's share is 50% of costs.

Council accounts for its interests in the joint venture by applying the proportionate consolidation method and by combining Council's share of each of the assets, liabilities, incomes and expenses of the jointly controlled entity with similar items line by line in council's financial statements.

**Council's share of accumulated surplus/(deficit)**

Council is not entitled to a share of any accumulated surplus or deficit.

**Council's share of reserves**

Council is not entitled to a share of any reserves

**Movement in carrying value of specific investment**

Carrying value of investment at start of year	2,664	2,700
Write back of annual depreciation	(36)	(36)
Carrying value of investment at end of year	<u>2,628</u>	<u>2,664</u>

**Council's share of expenditure commitments**

Council is not exposed to any further expenditure commitments.

**Council's share of contingent liabilities and contingent assets**

There are no known contingencies outstanding as at 30 June 2017.

**Significant restrictions**

The joint venture is not required to repay dividends, loans or advances to Council.

	2017	2016
	\$'000	\$'000
<b>Note 17 Cash and cash equivalents</b>		
Cash on hand	5	6
Cash at bank	1,298	2,986
Term deposits	21,390	11,246
	<u>22,694</u>	<u>14,238</u>
Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:		
- Trust funds and deposits (Note 24)	463	681
- Statutory reserves (Note 27(b) - Recreational Lands and Home Care Packages)	694	801
- Conditional grants unspent (Note 6)	918	2,347
- Port Of Apollo Bay reserve cash held (Note 27(b))	1,611	1,420
- Contingent asset (Note 33)	-	(1,700)
- Disaster recovery reserve (Note 27(b))	3,938	-
Total restricted funds	<u>7,624</u>	<u>3,549</u>
Total unrestricted cash and cash equivalents	<u>15,070</u>	<u>10,690</u>
<b>Intended allocations</b>		
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:		
- Other reserve funds allocated for specific future purposes .	12,421	6,897
- Carried forward capital works committed.	1,720	3,103
Total funds subject to intended allocations	<u>14,141</u>	<u>10,000</u>
Refer to Note 27(b) for details of other reserves.		

**Note 18 Trade and other receivables**

<b>Current</b>		
Rates debtors	1,327	1,381
Net GST receivable	339	338
Government operating grants	1,964	170
Other debtors	443	539
Special rate assessment	43	45
Other infringements	78	57
Parking infringement debtor	26	26
Provision for doubtful debts - other debtors	(10)	(7)
<b>Total trade and other receivables</b>	<u>4,209</u>	<u>2,550</u>

**(a) Ageing of Receivables**

At balance date other debtors representing financial assets were past due but not impaired. The ageing of the Council's trade & other receivables (excluding statutory receivables) was:

Current (not yet due)	237	366
Past due by up to 30 days	138	108
Past due between 31 and 180 days	3	66
Past due between 181 and 365 days	65	-
<b>Total trade &amp; other receivables</b>	<u>443</u>	<u>539</u>

**(b) Movement in provisions for doubtful debts**

Balance at the beginning of the year	7	56
New Provisions recognised during the year	5	7
Amounts already provided for and written off as uncollectible	-	(35)
Amounts provided for but recovered during the year	(2)	(21)
<b>Balance at end of year</b>	<u>10</u>	<u>7</u>

	2017	2016
	\$'000	\$'000
<b>Note 18 Trade and other receivables (cont.)</b>		
<b>(c) Ageing of individually impaired Receivables</b>		
At balance date, other debtors representing financial assets with a nominal value of \$10,064 (2016: \$6,713) were impaired. The amount of the provision raised against these debtors was \$10,064 (2016: \$6,713). The individual debts have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.		
The ageing of receivables that have been individually determined as impaired at reporting date was:		
Current (not yet due)	-	-
Past due by up to 30 days	-	-
Past due between 31 and 180 days	-	-
Past due between 181 and 365 days	5	7
Past due by more than 1 year	5	-
<b>Total trade &amp; other receivables</b>	<u>10</u>	<u>7</u>
<b>Note 19 Inventories</b>		
Inventories held for distribution	17	13
Inventories held for sale	167	127
<b>Total inventories</b>	<u>183</u>	<u>140</u>
<b>Note 20 Other assets</b>		
Prepayments	98	75
Accrued income	88	40
Other	7	-
<b>Total other assets</b>	<u>194</u>	<u>116</u>

**Note 21 Property, infrastructure, plant and equipment**

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

	At Fair Value 30 June 2016	Acquisitions	Contributions	Revaluation	Depreciation	Disposal	Transfers	At Fair Value 30 June 2017
Land	24,590	-	-	-	-	(29)	-	24,561
Buildings	41,767	3,851	-	-	(1,231)	-	213	44,599
Plant and Equipment	8,305	1,067	-	-	(1,770)	(244)	154	7,511
Infrastructure	197,248	4,650	334	6,977	(6,601)	(25)	507	203,089
Work in progress	1,232	681	-	-	-	-	(874)	1,039
	<b>273,141</b>	<b>10,249</b>	<b>334</b>	<b>6,977</b>	<b>(9,602)</b>	<b>(298)</b>	<b>-</b>	<b>280,798</b>

**Summary of Work in Progress**

	Opening WIP	Additions	Transfers	Write Offs	Closing WIP
Buildings	215	32	(213)	-	34
Plant and Equipment	263	22	(154)	-	131
Infrastructure	754	627	(507)	-	873
Total	<b>1,232</b>	<b>681</b>	<b>(874)</b>	<b>-</b>	<b>1,039</b>

**Land and Buildings**

Note	Land - specialised	Land - non specialised	Land under roads	Total Land	Buildings - specialised	Buildings - Non specialised	Total Buildings	Work in Progress	Total Property
At fair value 1 July 2016	7,114	17,252	224	<b>24,590</b>	48,025	26,026	<b>74,051</b>	215	<b>98,856</b>
Accumulated depreciation at 1 July 2016	-	-	-	-	(18,571)	(13,712)	<b>(32,284)</b>	-	<b>(32,284)</b>
	<b>7,114</b>	<b>17,252</b>	<b>224</b>	<b>24,590</b>	<b>29,454</b>	<b>12,314</b>	<b>41,767</b>	<b>215</b>	<b>66,572</b>
<b>Movements in fair value</b>									
Acquisition of assets at fair value	-	-	-	-	3,719	131	<b>3,851</b>	32	<b>3,882</b>
Fair value of assets disposed	-	(29)	-	<b>(29)</b>	-	-	-	-	<b>(29)</b>
Transfers	(3,695)	3,695	-	-	11,172	(10,959)	<b>213</b>	(213)	-
	<b>(3,695)</b>	<b>3,666</b>	<b>-</b>	<b>(29)</b>	<b>14,891</b>	<b>(10,828)</b>	<b>4,063</b>	<b>(181)</b>	<b>3,853</b>
<b>Movements in accumulated depreciation</b>									
Depreciation and amortisation	-	-	-	-	(978)	(253)	<b>(1,231)</b>	-	<b>(1,231)</b>
Transfers	-	-	-	-	(8,703)	8,703	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,681)</b>	<b>8,450</b>	<b>(1,231)</b>	<b>-</b>	<b>(1,231)</b>
At fair value 30 June 2017	3,419	20,918	224	<b>24,561</b>	62,916	15,198	<b>78,114</b>	34	<b>102,709</b>
Accumulated depreciation at 30 June 2017	-	-	-	-	(28,252)	(5,262)	<b>(33,514)</b>	-	<b>(33,514)</b>
	<b>3,419</b>	<b>20,918</b>	<b>224</b>	<b>24,561</b>	<b>34,664</b>	<b>9,937</b>	<b>44,599</b>	<b>34</b>	<b>69,196</b>

Note 21 Property, infrastructure, plant and equipment (cont.)

Plant and Equipment		Note	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Work in Progress	Total plant and equipment		
At fair value 1 July 2016			9,836	9,405	1,060	263	20,565		
Accumulated depreciation at 1 July 2016			(4,264)	(6,439)	(848)	-	(11,551)		
			5,572	2,966	213	263	9,014		
Prior Period Adjustments Fair Value		38	(448)	-	-	-	(448)		
Prior Period Adjustments Accumulated Depreciation		38	2	-	-	-	2		
			(446)	-	-	-	(446)		
<b>Movements in fair value</b>									
Acquisition of assets at fair value			894	132	41	22	1,089		
Fair value of assets disposed			(498)	(5)	-	-	(503)		
Transfers			-	154	-	(154)	-		
			397	281	41	(132)	586		
Depreciation and amortisation			(1,124)	(548)	(99)	-	(1,770)		
Accumulated depreciation of disposals			254	4	-	-	258		
			(869)	(543)	(99)	-	(1,511)		
At fair value 30 June 2017			9,785	9,686	1,101	131	20,703		
Accumulated depreciation at 30 June 2017			(5,132)	(6,982)	(946)	-	(13,060)		
			4,653	2,704	155	131	7,643		
Infrastructure		Note	Roads	Bridges	Footpaths and cycleways	Drainage	Other Infrastructure	Work In Progress	Total Infrastructure
At fair value 1 July 2016			209,390	21,767	19,730	40,683	4,232	754	296,555
Accumulated depreciation at 1 July 2016			(63,803)	(6,966)	(8,827)	(17,609)	(1,349)	-	(98,554)
			145,587	14,801	10,903	23,074	2,883	754	198,001
<b>Movements in fair value</b>									
Acquisition of assets at fair value			3,951	162	321	37	180	627	5,277
Contributed assets			273	-	61	-	-	-	334
Revaluation increments/(decrements)			3,606	-	2,159	-	-	-	5,765
Fair value of assets disposed			-	-	(61)	-	-	-	(61)
Transfers			255	-	2	-	250	(507)	-
			8,086	162	2,481	37	430	120	11,315
<b>Movements in accumulated depreciation</b>									
Depreciation and amortisation			(5,068)	(434)	(399)	(486)	(214)	-	(6,601)
Accumulated depreciation of disposals			-	-	37	-	-	-	37
Revaluation increments/(decrements)			(492)	-	1,703	-	-	-	1,212
			(5,559)	(434)	1,341	(486)	(214)	-	(5,353)
At fair value 30 June 2017			217,476	21,929	22,211	40,719	4,661	873	307,869
Accumulated depreciation at 30 June 2017			(69,363)	(7,400)	(7,486)	(18,095)	(1,563)	-	(103,907)
			148,114	14,528	14,725	22,624	3,098	873	203,962



**Note 21 Property, infrastructure, plant and equipment (cont.)**

*Valuation of land and buildings*

Valuation of land and buildings were undertaken 2015-2016 by a qualified independent valuer Mr Les Speed – Certified Practising Valuer – API Member No. 623379 of Preston Paterson Rowe. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

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

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

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

	Level 1	Level 2	Level 3
Land	-	20,918	-
Specialised land	-	-	3,419
Buildings	-	9,937	34,064
<b>Total</b>	-	<b>30,855</b>	<b>38,083</b>

*Valuation of infrastructure*

Valuation of infrastructure assets has been determined in accordance with an internal valuation undertaken by Jeremy Rudd (B.Eng).

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

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

	Level 1	Level 2	Level 3
Roads	-	-	148,114
Bridges	-	-	14,528
Footpaths and cycleways	-	-	14,725
Drainage	-	-	22,624
Other infrastructure	-	-	3,098
<b>Total</b>	-	-	<b>203,089</b>

Note 21	Property, infrastructure, plant and equipment (cont.)	2017	2016
		\$'000	\$'000
	<i>Description of significant unobservable inputs into level 3 valuations</i>		
	<p><b>Specialised land and land under roads</b> is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$1 and \$270 per square metre.</p>		
	<p><b>Specialised buildings</b> are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$200 to \$2,250 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 40 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.</p>		
	<p><b>Infrastructure assets</b> 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 5 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.</p>		
	<b>Reconciliation of specialised land</b>		
	Land under roads	224	224
	Parks and reserves	3,195	7,114
	<b>Total specialised land</b>	<u>3,419</u>	<u>7,338</u>

	2017	2016
	\$'000	\$'000
<b>Note 22 Intangible assets</b>		
Software	11	46
Total intangible assets	<u>11</u>	<u>46</u>
	<b>Software</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Gross carrying amount</b>		
Balance at 1 July 2016	616	616
Additions from internal developments	-	-
Other Additions	-	-
Balance at 1 July 2017	<u>616</u>	<u>616</u>
<b>Accumulated amortisation and impairment</b>		
Balance at 1 July 2016	571	571
Amortisation expense	35	35
Balance at 1 July 2017	<u>606</u>	<u>606</u>
Net book value at 30 June 2016	46	46
Net book value at 30 June 2017	<u>11</u>	<u>11</u>
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Note 23 Trade and other payables</b>		
Trade payables	1,662	2,222
Accrued expenses	1,163	559
Total trade and other payables	<u>2,824</u>	<u>2,781</u>
<b>Note 24 Trust funds and deposits</b>		
Refundable deposits	255	220
Fire services levy	133	288
Retention amounts	75	173
Total trust funds and deposits	<u>463</u>	<u>681</u>
<i>Purpose and nature of items</i>		
Refundable deposits - Deposits are taken by council as a form of surety in a number of circumstances, including in relation to building works, tender deposits, contract deposits and the use of civic facilities.		
Fire Service Levy - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a quarterly basis. Amounts disclosed here will be remitted to the state government in line with that process.		
Retention Amounts - Council has a contractual right to retain certain amounts until a contractor has met certain requirements or a related warrant or defect period has elapsed. Subject to the satisfactory completion of the contractual obligations, or the elapsing of time, these amounts will be paid to the relevant contractor in line with Council's contractual obligations.		

		2017	2016
		\$'000	\$'000
<b>Note 25 Provisions</b>			
	<b>Employee</b>	<b>Landfill restoration</b>	<b>Total</b>
	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
<b>2017</b>			
Balance at beginning of the financial year	4,771	7,659	12,429
Additional provisions	1,502	-	1,502
Amounts used	(2,094)	(28)	(2,122)
Change in the discounted amount arising because of time and the effect of any change in the inflation and discount rate	(24)	(424)	(448)
Balance at the end of the financial year	<u>4,155</u>	<u>7,206</u>	<u>11,361</u>
<b>2016</b>			
Balance at beginning of the financial year	4,590	7,802	12,392
Additional provisions	1,835	-	1,835
Amounts used	(1,667)	(28)	(1,695)
Change in the discounted amount arising because of time and the effect of any change in the inflation and discount rate	13	(116)	(103)
Balance at the end of the financial year	<u>4,771</u>	<u>7,659</u>	<u>12,429</u>
		<b>2017</b>	<b>2016</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Current provisions expected to be wholly settled within 12 months</b>			
Annual leave		1,108	1,173
Long service leave		211	159
Time in lieu		83	77
		<u>1,402</u>	<u>1,409</u>
<b>Current provisions expected to be wholly settled after 12 months</b>			
Annual leave		159	206
Long service leave		2,358	2,916
		<u>2,517</u>	<u>3,122</u>
<b>Total current employee provisions</b>		<u>3,919</u>	<u>4,531</u>
<b>Non-current</b>			
Long service leave		236	240
<b>Total non-current employee provisions</b>		<u>236</u>	<u>240</u>
Aggregate carrying amount of employee provisions:			
Current		3,919	4,531
Non-current		236	240
<b>Total aggregate carrying amount of employee provisions</b>		<u>4,155</u>	<u>4,771</u>
<b>Land fill restoration &amp; after-care costs</b>			
Current		28	28
Non-current		7,178	7,630
		<u>7,206</u>	<u>7,659</u>
<b>Total Provisions</b>			
Current		3,947	4,559
Non-current		7,414	7,870
		<u>11,361</u>	<u>12,429</u>

	2017	2016
	\$'000	\$'000
<b>Note 26 Interest-bearing loans and borrowings</b>		
<b>Current</b>		
Bank overdraft	-	-
Borrowings - secured	604	636
	<u>604</u>	<u>636</u>
<b>Non-current</b>		
Borrowings - secured	3,370	4,137
<b>Total</b>	<u>3,974</u>	<u>4,773</u>
 (a) The maturity profile for Council's borrowings is:		
Not later than one year	604	636
Later than one year and not later than five years	2,774	3,399
Later than five years	596	738
	<u>3,974</u>	<u>4,773</u>
 Aggregate carrying amount of interest-bearing loans and borrowings:		
Current	604	636
Non-current	3,370	4,137
	<u>3,974</u>	<u>4,773</u>
 Interest bearing loans and borrowing movements		
Opening interest-bearing loans and borrowings	4,773	5,365
New loans taken up during year	-	-
Repayment of loan principal	(800)	(592)
Closing interest-bearing loans and borrowings	<u>3,974</u>	<u>4,773</u>

Secured borrowings are secured against the future rate revenue of Council.  
All borrowings are made on a commercial basis with Australian financial institutions.

Note 27 Reserves

	Balance at beginning of reporting period	Increment (decrement)	Share of increment (decrement) on revaluation by an associate	Balance at end of reporting period
(a) Asset revaluation reserves	\$'000	\$'000	\$'000	\$'000
<b>2017</b>				
<b>Property</b>				
Land	15,775	-	-	15,775
Buildings	8,783	-	-	8,783
	24,558	-	-	24,558
<b>Plant and Equipment</b>				
Fixed plant, furniture and equipment	293	-	-	293
	293	-	-	293
<b>Infrastructure</b>				
Roads	88,521	-	-	88,521
Bridges	9,270	-	-	9,270
Footpaths and cycleways	3,449	3,863	-	7,312
Kerb and channelling	8,504	3,114	-	11,619
Drainage	14,341	-	-	14,341
	124,084	6,977	-	131,061
<b>Total asset revaluation reserves</b>	<b>148,936</b>	<b>6,977</b>	<b>-</b>	<b>155,913</b>
<b>2016</b>				
<b>Property</b>				
Land	15,776	-	-	15,776
Buildings	8,782	-	-	8,782
Share of CRLC asset revaluation reserve	450	-	(450)	-
	25,008	-	(450)	24,558
<b>Plant and Equipment</b>				
Fixed plant, furniture and equipment	293	-	-	293
	293	-	-	293
<b>Infrastructure</b>				
Roads	88,692	-	(171)	88,521
Bridges	9,270	-	-	9,270
Footpaths and cycleways	3,449	-	-	3,449
Kerb and channelling	8,504	-	-	8,504
Drainage	8,500	7,841	-	14,341
	116,415	7,841	(171)	124,085
<b>Total asset revaluation reserves</b>	<b>141,716</b>	<b>7,841</b>	<b>(621)</b>	<b>148,936</b>

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

Note 27 Reserves (cont.)	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
	\$'000	\$'000	\$'000	\$'000
<b>(b) Other reserves</b>				
<b>2017</b>				
Carried forward projects	1,949	1,682	(555)	3,076
Port of Apollo Bay	1,420	973	(782)	1,611
Kerbside bin replacement	1,298	2,917	(2,678)	1,538
Long service leave	2,517	5,352	(5,870)	1,999
Landfill rehabilitation (Alvie)	752	57	-	809
Recreational lands	753	16	(75)	694
Colac livestock selling centre	355	509	(618)	246
Rehabilitation	360	143	-	503
Plant replacement	1,591	3,030	(2,221)	2,399
Home care packages	48	-	(48)	-
Tirrengower drainage scheme	23	22	(13)	33
Bond repayment	-	904	-	904
Matching grants	-	177	-	177
Contingent liability	-	500	-	500
Project	-	372	(172)	200
Prepaid grants	-	3,114	-	3,114
Disaster recovery	-	8,834	(4,896)	3,938
<b>Total Other reserves</b>	<b>11,067</b>	<b>28,601</b>	<b>(17,928)</b>	<b>21,740</b>
<b>2016</b>				
Carried forward projects	1,375	1,949	(1,375)	1,949
Port of Apollo Bay	539	1,101	(220)	1,420
Kerbside bin replacement	1,166	136	(3)	1,299
Long service leave	1,865	1,012	(358)	2,519
Landfill rehabilitation (Alvie)	695	57	-	752
Recreational lands	669	84	-	753
Colac livestock selling centre	359	689	(693)	355
Rehabilitation	160	200	-	360
Plant replacement	686	3,707	(2,803)	1,590
Home care packages	-	48	-	48
Tirrengower drainage scheme	7	22	(7)	22
Scholarship	1	-	(1)	-
<b>Total Other reserves</b>	<b>7,522</b>	<b>9,005</b>	<b>(5,460)</b>	<b>11,067</b>

Note 27 Reserves (cont.)

Purposes for Reserves

Carried forward projects reserve

This reserve is to recognise the funds allocated and received in prior financial periods that are committed to unfinished projects. This includes grants received in advance for specific projects and funds allocated from prior financial years for projects that are still incomplete at the end of the current financial year.

Port of Apollo Bay reserve

These funds are bound by an agreement with the Department of Transport concerning the operations of the Port of Apollo Bay and are the value of cash assets owed.

Kerbside bin replacement reserve

This reserve was set up as a source of funding the replacement of kerbside bins. All funds in this reserve are collected from the waste collection service charge and are to be used only in connection with the waste collection service.

Long service leave reserve

The purpose of this reserve is to ensure that the nominal long service leave balances owing to employees are maintained.

Landfill rehabilitation (Alvie) reserve

This reserve relates to the funds required to restore the Alvie Tip. The rehabilitation and will continue to grow until the Tip closes, at which time, the funds will be utilised to meet this obligation.

Recreational lands reserve

Statutory reserve to be used for the development of recreational reserves and public open space.

Colac livestock selling centre reserve

This reserve is for the purpose of funding works at the Colac Livestock Selling Centre and all funds are derived from any surplus made from the operations of the Colac Livestock Selling Centre.

Rehabilitation reserve

This reserve is to fund the rehabilitation of the various waste disposal sites across the Colac Otway Shire.

Plant replacement reserve

This reserve is to fund the replacement of council's plant at the end of their useful lives. Inflows to the reserve accrue out of any plant operating surplus with the funds then being used for the changeover of plant.

Home Care Packages

This reserve reflects the balance owed to clients at the end of the financial year for consumer directed care packages received from Federal Government funding.

Tirringower Drainage Scheme reserve

These funds are collected via a special rate and must be expended against the purpose of the drainage scheme at Tirringower.

Scholarship reserve

This reserve holds any unspent funds received by Council on behalf of the annual Barnard Trust distribution.

Bond Repayment reserve

This reserve has been set up to reserve monies to fund the balloon payments on future expiring debt.

Matching Grants reserve

The purpose of this reserve is to set aside unallocated surplus for future funding of matching grant opportunities.

Contingent liability reserve

This reserve allows for the payment of a potential obligation that may be incurred depending on the outcome a future event.

Project reserve

The purpose of this reserve is to set aside unallocated surplus for future projects to be prioritised accordingly.

Prepaid Grants reserve

The purpose of this reserve is to set aside any prepaid grants received for allocation to the next financial year works programme (for example the 50% prepaid Victorian Grants Commission received in June 2017 per the May 2017 Federal Budget).

Disaster Recovery reserve

The purpose of this reserve is to set aside income received in advance or expenditure made in advance of funding for use in the recovery of Disaster events. Over the life of the event the disaster recovery reserve will cancel out to zero, a positive reserve amount represents funding received in advance a negative represents expenditure made in advance.



	2017 \$'000	2016 \$'000
<b>Note 28 Reconciliation of cash flows from operating activities to surplus/(deficit)</b>		
Surplus/(deficit) for the year	12,958	1,652
Depreciation/amortisation	9,638	9,082
Net GST receipts and payments from financing and investment activities	0	398
Finance costs	280	323
Share of result of associate	(32)	(33)
Profit/(loss) on disposal of property, infrastructure, plant and equipment	5	32
Contributions - non monetary assets	(333)	-
<b>Change in assets and liabilities:</b>		
(Increase)/decrease in trade and other receivables	(1,659)	14
(Increase)/decrease in prepayments	(30)	(75)
(Increase)/decrease in accrued income	(48)	(22)
(Decrease)/increase in trade and other payables	(560)	(751)
(Decrease)/increase in accrued expenses	603	263
(Increase)/decrease in inventories	(44)	7
(Increase)/decrease in trust funds & deposits	(217)	453
(Decrease)/increase in provisions	(1,068)	39
Net cash provided by/(used in) operating activities	<u>19,493</u>	<u>11,382</u>
<b>Note 29 Financing arrangements</b>		
Bank overdraft	-	1,000
Credit card facilities	50	50
Total facilities	<u>50</u>	<u>1,050</u>
Used facilities	-	-
Unused facilities	<u>50</u>	<u>1,050</u>

**Note 30 Commitments**

The Council has entered into the following commitments

2017	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
<b>Operating</b>					
Salaries	1,325	1,110	659	-	3,094
Consultancies	341	38	-	-	379
Garbage collection	2,990	3,073	2,879	-	8,942
Street lighting	67	67	-	-	134
Information technology	31	31	31	-	93
Inspection and maintenance	23	-	-	-	23
Cleaning contracts for council buildings	364	-	-	-	364
<b>Total</b>	<b>5,141</b>	<b>4,319</b>	<b>3,569</b>	<b>-</b>	<b>13,029</b>
<b>Capital</b>					
Plant and equipment	236	-	-	-	236
Civil works	2,397	5	-	-	2,402
<b>Total</b>	<b>2,633</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>2,638</b>

2016	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
<b>Operating</b>					
Salaries	1,810	1,841	1,874	-	5,525
Consultancies	260	252	38	-	550
Garbage collection	2,351	2,391	4,184	-	8,926
Street lighting	67	67	-	-	134
Information technology	140	108	108	-	356
Inspection and maintenance	55	-	-	-	55
Cleaning contracts for council buildings	363	-	-	-	363
Council election	157	-	-	-	157
<b>Total</b>	<b>5,203</b>	<b>4,659</b>	<b>6,204</b>	<b>-</b>	<b>16,066</b>
<b>Capital</b>					
Buildings	2,719	-	-	-	2,719
Plant and equipment	46	7	-	-	53
Civil works	331	-	-	-	331
<b>Total</b>	<b>3,096</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>3,103</b>

	2017	2016
	\$'000	\$'000
<b>Note 31 Operating leases</b>		
<b>Operating lease commitments</b>		
At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):		
Not later than one year	93	156
Later than one year and not later than five years	171	162
Later than five years	-	-
	264	318

**Note 32 Superannuation**

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

**Accumulation**

The Fund's accumulation categories, Vision My Super/Vision Super Saver, receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2017, this was 9.5% as required under Superannuation Guarantee legislation).

**Defined Benefit**

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

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Council in the Fund cannot be measured as a percentage compared 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 2017, the triennial investigation was still underway however at the time of producing this annual report the trustee indicated an expected Vested Benefit Index (VBI) of 103.1%. While the triennial investigation is underway the threshold remains at 100% indicating no remedial action is expected at this time due strong fund returns and a strong net asset position. To determine the VBI, the Fund Actuary used the following long-term assumptions:

Net investment returns 6.5% pa  
Salary inflation 3.5% pa  
Price inflation (CPI) 2.5% pa.

Note 32 Superannuation (cont.)

**Employer contributions**

**Regular contributions**

On the basis of the results of the 2016 interim actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Funds Defined Benefit category at rates determined by the Funds Trustee. For the year ended 30 June 2017, this rate was 9.5% of members' salaries (9.5% in 2015/2016). This rate will increase in line with any increase to the 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.

**Funding calls**

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

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Funds 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 Funds Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

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

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

**2016 Interim actuarial investigation surplus amounts**

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

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

The VBI surplus means that the market value of the funds assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2016. The total service liability surplus means that the current value of the assets in the Funds Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses. Council was notified of the 30 June 2016 VBI during August 2016.

**2017 Full triennial actuarial investigation**

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

**Future superannuation contributions**

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2018 are \$135,012.

Note 33 Contingent liabilities and contingent assets

**(a) 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 in Note 32. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists. At this point in time it is not known if additional contributions will be required, their timing or potential amount.

**(b) Guarantees for loans to other entities**

Council has not guaranteed any loans to other entities.

**(c) Financial assurances**

Council is obligated under Section 194 (2A) and 21 of the *Environment Protection Act 1970* to provide financial assurance for any remedial action, rehabilitation and site aftercare costs in relation to the Alvie tip site. The purpose of this provision is to ensure that Council does not impose any undue burden on Council's ratepayers to address any of these costs during the operation or after the closure of its operating landfill sites. The amount of the financial assurance provided to the Environment Protection Authority (EPA) is \$322,500.

**(d) Contingent liability**

Council has identified a potential liability (or the probability of a material expense arising) as a result of a workplace death during the course of the financial year. At the time of this report an amount and timing of any potential expense is not known.

**Note 34 Financial instruments**

**(a) Objectives and policies**

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

**(b) Market risk**

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

**Interest rate risk**

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

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

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

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

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

**(c) Credit risk**

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

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

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

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

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

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

**(d) Liquidity risk**

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

To help reduce these risks Council:

- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 34, and is deemed insignificant based on prior periods' data and current assessment of risk.

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

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 26.

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

**(e) Fair value**

**Fair value hierarchy**

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

**(f) Sensitivity disclosure analysis**

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

- A parallel shift of + 0.75% and -0.75% in market interest rates (AUD) from year-end rates of 1.95%.

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

**Note 35 Related party disclosures**

(i) **Related Parties**

*Parent entity*

Colac Otway Shire is the parent entity.

*Subsidiaries and Associates*

Interests in subsidiaries and associates are detailed in note 16.

(ii) **Key Management Personnel**

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

<b>Councillors</b>	Councillor Chris Potter (Elected 02/11/16) (Mayor 09/11/17 to current)
	Councillor Frank Buchanan (Mayor - Term ended 22/10/16)
	Councillor Stephen Hart (Re-elected 02/11/16)
	Councillor Chris Smith (Re-elected 02/11/16)
	Councillor Terry Woodcroft (Re-elected 02/11/16)
	Councillor Kale Hanson (Elected 02/11/16)
	Councillor Joe McCracken (Elected 02/11/16)
	Councillor Jason Schram (Elected 02/11/16)
	Councillor Lyn Russell (Term ended 22/10/16)
	Councillor Brian Crook (Term ended 22/10/16)
	Councillor Michael Delahunty (Term ended 22/10/16)

**Chief Executive Officer and other Key Management Personnel**

	Ms Sue Wilkinson (CEO) (Resigned 01/09/17)
	Mr Gareth Smith (Commenced 31/10/16)
	Mr Anthony McGann (Commenced 06/02/17)
	Mr Trevor Olson (Commenced 12/05/17)
	Mr Brydon King (Resigned 12/05/2016)
	Ms Sandra Wade (Resigned 31/03/17)
	Mr Mark Lyons (Resigned 12/05/2017)
	Ms Ingrid Bishop (Resigned 24/05/2017)

	2017 No.	2016 No.
<b>Total Number of Councillors</b>	11	7
<b>Chief Executive Officer and other Key Management Personnel</b>	8	6
<b>Total Key Management Personnel</b>	<u>19</u>	<u>13</u>

(iii) **Remuneration of Key Management Personnel**

Total remuneration of key management personnel was as follows:

Short-term benefits	1,116
Post-employment benefits	114
<b>Total</b>	<u>1,230</u>

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

	2017 No.
\$1 - \$9,999	3
\$10,000 - \$19,999	3
\$20,000 - \$29,999	5
\$30,000 - \$39,999	1
\$50,000 - \$59,999	1
\$70,000 - \$79,999	1
\$120,000 - \$129,999	1
\$130,000 - \$139,999	1
\$170,000 - \$179,999	2
\$240,000 - \$249,999	1
	<u>19</u>

(iv) **Transactions with related parties**

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

The following is the aggregate amount of transactions with **Investments in associates**.

Payments made to Corangamite Regional Library Corporation	683
Payments received from Corangamite Regional Library Corporation	<u>(47)</u>

**Note 36 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 \$142,000

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

	2017	2016
Income Range:	No.	No.
\$142,000 - \$149,999	4	7
\$150,000 - \$159,999	-	1
	<u>4</u>	<u>8</u>
Total Remuneration for the reporting year for Senior Officers included above, amounted to:	<u>585</u>	<u>1,150</u>

**Note 37 Events occurring after balance date**

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

**Note 38 Adjustments direct to equity**

	2016
	\$'000
Plant and equipment replacement value - system processing error	(448)
Plant and equipment replacement accumulated depreciation - system processing error	2
Non-current landfill provision - aftercare costs brought to account	(3,470)
<b>Total adjustments direct to equity</b>	<u><b>(3,916)</b></u>

### Certification of the Financial Statements

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

*Daniel Fogarty, B.Com, MAppFin, CA*

**Principal Accounting Officer**

**Date :** 20 September 2017

Colac

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

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

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

*Cr Stephen Hart*

**Councillor**

**Date :** 20 September 2017

Colac

*Cr Jason Schram*

**Councillor**

**Date :** 20 September 2017

Colac

*Robert Dobrzynski*

**Acting Chief Executive Officer**

**Date :** 20 September 2017

Colac



## Performance Statement

For the year ended 30 June 2017

### Description of the municipality

Colac Otway Shire Council is situated about 160 kilometers south-west of the Melbourne CBD. It is approximately an hour to the large regional cities of Geelong to the east and Warrnambool to the west. The Shire covers an area of 3,433 square kilometres and has some of the most picturesque scenery in the State. A large proportion is Forest Park and National Park, but it also includes beaches, rugged coastline, rainforests, waterfalls, volcanic lakes and craters.

The Colac Otway Shire population forecast for 2017 is 21,265 and is forecast to grow to 23,725 by 2036. Approximately 88 % of the Shire's residents were born in Australia and of those born overseas; only 4% come from non-English speaking backgrounds. The forecast through to 2036 is for a growth of approximately 0.53% per annum; however we expect this to increase once the dual highway to Geelong is completed as it will open up the region making commuting an attractive option for both the local population and for those seeking a lifestyle change. Growth over the coming 19 years is also predicted to be steady; however with an increasingly ageing population.

The five major industry sectors are:

- Manufacturing (1,204 persons or 12.7%)
- Health Care and Social Assistance (1,197 persons or 12.6%)
- Agriculture, Forestry & Fishing (1,134 persons or 12.0%)
- Retail Trade (992 persons or 10.5%)
- Accommodation and Food Services (807 persons or 8.5%)

In combination, these five industries employed a total of 5,334 people or 56.3% of the employed resident population.

Colac Otway Shire Council provides more than 90 high quality services and facilities across a range of areas including Community Services, Environmental Services, Customer Services, Health and Wellbeing, Planning and Building, Economic Development and Tourism, Parks and Gardens and more.

## Sustainable Capacity Indicators

For the year ended 30 June 2017

Indicator/measure	Results			Material Variations and Comments
	2015	2016	2017	
<b>Population</b>				
<i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$2,092.24	\$2,197.93	\$2,192.10	A 5% increase in expenses in 2016/17 was due to Disaster Recovery expenditure as a result of the Shire wide flooding event in 2016, which was offset by a 5.2% increase in the Municipal population, causing an overall minor decrease in this indicator.
<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$12,728.74	\$12,292.96	\$11,996.72	A 2.7% increase in 2016/17 due to ongoing capitalisation of assets as part of Council's works programme was offset by a 5.2% increase in the Municipal population, causing an overall decrease in this indicator.
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	12.56	12.51	13.18	The increase in this indicator reflects the increase in the Shire's population.
<b>Own-source revenue</b>				
<i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$1,543.78	\$1,655.79	\$1,664.87	Most of the increase from 2015/16 relates to the annual increase in average rate income generated as per Council's budget process, which was offset by the increase in assessments lower than the increase in population.
<b>Recurrent grants</b>				
<i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$697.19	\$541.20	\$573.06	The increase in 2016/17 is due to Victorian Grants Commission funding received in advance.
<b>Disadvantage</b>				
<i>Relative socio-economic disadvantage</i> [Index of Relative Socio-economic Disadvantage by decile]	3	3	3	There has been no change to this indicator.

### Definitions

"adjusted underlying revenue" means total income other than—

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

(c) contributions to fund capital expenditure from sources other than those referred to in paragraphs (a) and (b)

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

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

"population" means the resident population estimated by council

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

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

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

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

## Service Performance Indicators

For the year ended 30 June 2017

Service/indicator/measure	Results			Material Variations and Comments
	2015	2016	2017	
<b>Aquatic facilities</b>				
<b>Utilisation</b>				
<i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	0.09	2.73	6.08	The 2015/16 result reflects the Bluewater leisure centre being closed for two years for redevelopment, reopening in late 2016. The significant increase in usage in 2016/17 is the result of increased memberships and attendances at the remodelled and enlarged facility.
<b>Animal management</b>				
<b>Health and safety</b>				
<i>Animal management prosecutions</i> [Number of successful animal management prosecutions]	27	13	10	Prosecutions commenced in 2015. The reduced number of prosecutions is a direct reflection of public awareness that Council has the capacity and ability to prosecute matters.
<b>Food safety</b>				
<b>Health and safety</b>				
<i>Critical and major non-compliance notifications</i> [Number of critical non-compliance notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance notifications and major non-compliance notifications about food premises] x100	80.77%	90.91%	81.25%	From 1 July 2016 this measure is being reported by calendar year rather than financial year to better align with the Department of Health and Human Services reporting. The decrease in the result for 2016/17 was impacted by the Wye River Bushfire response and recovery and staff vacancies, which generated work in excess of the Business Unit's capacity to undertake. Note, these rates are for the 2016 calendar year and any comparison with 2015/16 is not representative of change in performance.
<b>Governance</b>				
<b>Satisfaction</b>				
<i>Satisfaction with council decisions</i> [Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]	48	43	45	Results have improved by two points from 2016. Council continues its efforts to steadily improve results.
<b>Libraries</b>				
<b>Participation</b>				
<i>Active library members</i> [Number of active library members / Municipal population] x100	17.61%	17.87%	16.70%	Whilst active library memberships remain steady, the overall reduction in this measure reflects the increase in the Shire's population.
<b>Maternal and child health</b>				
<b>Participation</b>				
<i>Participation in the MCH service</i> [Number of children who attend the MCH service at	74.83%	71.90%	69.68%	The small change in participation is part of normal fluctuations.

Service/indicator/measure	Results			Material Variations and Comments
	2015	2016	2017	
least once (in the year) / Number of children enrolled in the MCH service] x100				
<b>Participation</b> <i>Participation in the MCH service by Aboriginal children</i> [Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100	59.26%	58.33%	60.38%	The small change in participation is part of normal fluctuations.
<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]	44	37	42	Satisfaction with sealed local roads improved in 2017 and is on par with other large rural Shires.
<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] x100	100%	100%	100%	The result highlights Council's knowledge and effectiveness in applying the relevant Planning Schemes.
<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	55.52%	43.32%	47.09%	The increase in 2017 reflects the gradual reinstatement of services to some of our bushfire affected residents.

Service/indicator/measure	Results			Material Variations and Comments
	2015	2016	2017	
<b>Home and community care</b>				
<b>Participation</b>				
<i>Participation in HACC service</i> [Number of people that received a HACC service / Municipal target population for HACC services] x100	24.16%	26.05%	N/A	Reporting on Home and Community Care Services (HACC) ceased on 1 July 2016 due to the introduction of the Commonwealth Government's National Disability Insurance Scheme and Commonwealth Home Support Programme.
<b>Participation</b>				
<i>Participation in HACC service by CALD people</i> [Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x100	21.50%	15.92%	N/A	Reporting on Home and Community Care Services (HACC) ceased on 1 July 2016 due to the introduction of the Commonwealth Government's National Disability Insurance Scheme and Commonwealth Home Support Programme.

### Definitions

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

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

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

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

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

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

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

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

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

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

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

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

"population" means the resident population estimated by council

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

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

## Financial Performance Indicators

For the year ended 30 June 2017

Dimension/indicator/measure	Results			Forecasts				Material Variations and Comments
	2015	2016	2017	2018	2019	2020	2021	
<b>Efficiency</b>								
<b>Revenue level</b>								
<i>Average residential rate per residential property assessment</i> [Residential rate revenue / Number of residential property assessments]	\$1,461.91	\$1,598.36	\$1,650.83	\$1,734.98	\$1,757.38	\$1,780.07	\$1,803.05	The increase in 2016/17 was due to an average 3.28% rates rise for residential properties, in line with the budgeted increase in residential rates. Also note the forecast amounts continue to increase at this rate with some volatility due to valuation years versus non-valuation years.
<b>Expenditure level</b>								
<i>Expenses per property assessment</i> [Total expenses / Number of property assessments]	\$2,859.53	\$2,967.93	\$3,087.23	\$3,164.94	\$3,184.53	\$3,233.47	\$3,300.67	The increase in 2016/17 is due to Disaster Recovery expenditure as a result of the Shire wide flooding event in 2016.
<b>Workforce turnover</b>								
<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	8.50%	11.34%	23.77%	11.61%	11.67%	11.67%	11.67%	The significant increase in the 2016/17 result is due to the large number of staff resignations during the year. This has occurred largely due to (1) Low historical turnover resulting in a significant number of long term staff moving on during 2017 to seek other opportunities, (2) Expected turnover relating to major organisational changes executed during the 2015-2017 period and (3) General cyclical staff changes.
<b>Liquidity</b>								
<b>Working capital</b>								
<i>Current assets compared to current liabilities</i>	226.47%	197.53%	348.05%	156.17%	131.73%	142.81%	131.79%	Movement in the Working Capital Ratio is due to



Dimension/indicator/measure	Results			Forecasts				Material Variations and Comments
	2015	2016	2017	2018	2019	2020	2021	
[Current assets / Current liabilities] x100								increased cash balances, largely due to Disaster Recovery grants and Victorian Grants Commission funds to be spent in 2017/18.
<b>Unrestricted cash restricted cash compared to current liabilities</b>	70.19%	68.22%	192.27%	91.91%	73.11%	77.73%	67.24%	Movement is due to increased cash balances largely as a result of Disaster Recovery grants and Grants Commission funds to be spent in 2017/18.
[Unrestricted cash / Current liabilities] x100								
<b>Obligations</b>								
<b>Asset renewal</b>								
<i>Asset renewal compared to depreciation</i>	101.51%	97.58%	97.66%	122.76%	148.64%	145.65%	142.82%	During 2016/17 Council's works programme spending was in line with 2015/16, with forecasts showing ongoing commitment to renew major community assets.
[Asset renewal expenses / Asset depreciation] x100								
<b>Loans and borrowings</b>								
<i>Loans and borrowings compared to rates</i>	20.15%	17.29%	13.67%	11.53%	9.12%	5.01%	3.99%	This result reflects Council's prudent debt management and low overall debt levels.
[Interest bearing loans and borrowings / Rate revenue] x100								
<i>Loans and borrowings repayments compared to rates</i>	3.37%	3.31%	3.71%	2.84%	2.78%	4.34%	1.16%	This result reflects Council's prudent debt management and low overall debt levels.
[Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100								
<b>Indebtedness</b>								
<i>Non-current liabilities compared to own source revenue</i>	28.23%	25.54%	30.33%	17.85%	12.76%	10.43%	8.64%	The reduction in this indicator from 2015/16 is a result of the early payment of Victorian Grants Commission funding received that caused a decrease in the Shire's Own source revenue
[Non-current liabilities / Own								

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Dimension/indicator/measure	Results			Forecasts				Material Variations and Comments
	2015	2016	2017	2018	2019	2020	2021	
source revenue] x100								calculation. The low estimates in the forecast period reflect continual reduction in debt obligations with no new borrowings anticipated.
<b>Operating position</b>								
<b>Adjusted underlying result</b>								
<i>Adjusted underlying surplus (or deficit)</i> [Adjusted underlying surplus (deficit)/ Adjusted underlying revenue] x100	10.34%	1.88%	9.27%	0.26%	3.47%	1.73%	-2.66%	The increase in 2016/17 is due to Disaster Recovery grants and Victorian Grants Commission funding received in advance.
<b>Stability</b>								
<b>Rates concentration</b>								
<i>Rates compared to adjusted underlying revenue</i> [Rate revenue / Adjusted underlying revenue] x100	55.66%	60.86%	56.35%	60.90%	59.45%	60.49%	62.84%	The decrease is a result of an increase in the adjusted underlying revenue due to the prepayment of Victorian Grants Commission (VGC) funding in the 2017 year. When removing the early payment of VGC grant funding, a consistent increase around 3-5% p.a. occurs in this measure.
<b>Rates effort</b>								
<i>Rates compared to property values</i> [Rate revenue / Capital improved value of rateable properties in the municipality] x100	0.49%	0.48%	0.50%	0.50%	0.50%	0.51%	0.51%	This measure moves consistently around 3-5% as a result of the increase in rates per the cap and the increase in population.

#### Definitions

"adjusted underlying revenue" means total income other than—

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

(c) contributions to fund capital expenditure from sources other than those referred to in paragraphs (a) and (b)

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

"asset renewal expenditure" means expenditure on an existing asset or on replacing an existing asset that returns the service capability of the asset to its original capability

"current assets" has the same meaning as in the AAS

"current liabilities" has the same meaning as in the AAS

"non-current assets" means all assets other than current assets

"non-current liabilities" means all liabilities other than current liabilities

"non-recurrent grant" means a grant obtained on the condition that it be expended in a specified manner and is not expected to be received again during the period covered by a council's Strategic Resource Plan

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

"population" means the resident population estimated by council

"rate revenue" means revenue from general rates, municipal charges, service rates and service charges

"recurrent grant" means a grant other than a non-recurrent grant

"residential rates" means revenue from general rates, municipal charges, service rates and service charges levied on residential properties

"restricted cash" means cash and cash equivalents, within the meaning of the AAS, that are not available for use other than for a purpose for which it is restricted, and includes cash to be used to fund capital works expenditure from the previous financial year

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

## Other Information

For the year ended 30 June 2017

### 1. Basis of preparation

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

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

The performance statement presents the actual results for the current year and for the prescribed financial performance indicators and measures, the results forecast by the council's strategic resource plan. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variations in the results contained in the performance statement. Council has provided comments against each performance indicator and measure to assist readers interpret the results.

The forecast figures included in the performance statement are those adopted by council in its Strategic Resource Plan on 22 June 2016 and which forms part of the council plan. The Strategic Resource Plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The Strategic Resource Plan can be obtained by contacting council.

## Certification of the performance statement

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

Daniel Fogarty B.Com, CA, MAppFin

**Principal Accounting Officer**

Date: 20 September 2017

*Colac*

In our opinion, the accompanying performance statement of the Colac Otway Shire Council for the year ended 30 June 2017 presents fairly the results of council's performance in accordance with the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014*.

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

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

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

Cr Stephen Hart

**Councillor**

Date: 20 September 2017

*Colac*

Cr Jason Schram

**Councillor**

Date: 20 September 2017

*Colac*

Robert Dobrzynski

**Acting Chief Executive Officer**

Date: 20 September 2017

*Colac*