



Minutes

Council Meeting held at 11.30 AM on Thursday 12 November 2020, online via Zoom.

Present

Cr Murray Emerson (Mayor)
Cr Lauren Demspey
Cr Tony Driscoll
Cr Kevin Erwin
Cr Rob Haswell

Ms Liana Thompson, Chief Executive Officer
Mr Vaughan Williams, Director Corporate Services
Mr Trenton Fithall, Director Infrastructure
Mrs Naomi Goode, Director Communities

Affirmation

We recognise the traditional owners of the land.
We are inspired by the early pioneers and by those who gave their lives for our country.
We now ask God's blessing on our deliberations
and on our commitment to build a better lifestyle and environment.

Confirmed at the meeting of Council on Monday 7 December 2020.

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1. Apologies

Nil

2. Disclosure of a Conflict of Interest at a Council Meeting

A Councillor who has a conflict of interest in a matter being considered at a Council meeting at which he or she-

(i) is present must disclose that conflict of interest by explaining the nature of the conflict of interest to those present at the Council meeting immediately before the matter is considered; or
(ii) intends to be present must disclose that conflict of interest by providing to the Chief Executive Officer before the Council meeting commences a written notice-

- advising of the conflict of interest;
- explaining the nature of the conflict of interest; and
- detailing, if the nature of the conflict of interest involves a Councillor's relationship with or a gift from another person, the-
 - name of the other person
 - nature of the relationship with that other person or the date on receipt, value and type of gift received from the other person; and
 - nature of that other person's interest in the matter;

and then immediately before the matter is considered at the meeting announcing to those present that he or she has a conflict of interest and that a written notice has been given to the Chief Executive Officer.

The Councillor must, in either event, exclude themselves from the decision-making process, including any discussion or vote on the matter and any action in relation to the matter and leave the Council meeting immediately after giving the explanation or making the announcement (as the case may be) and not return to the meeting until after the matter has been disposed of.

Members of Staff

A member of Council staff must disclose any conflict of interest in a matter in respect of which they are preparing or contributing to the preparation of a report for a Council meeting. They must immediately upon becoming aware of the conflict of interest, provide a written notice to the Chief Executive Officer disclosing the conflict of interest and explaining its nature.

Nil

3. Consideration of Reports of Officers

3.1. Annual Report 2019-20

Author/Position: Malcolm Lewis, Acting Manager Financial Services

Purpose

To authorise two Councillors to certify the Financial Statements 2019-20 and the Performance Statement 2019/20 in their final form.

Summary

The *Local Government Act 1989* requires that Council formally resolves to nominate two Councillors to be authorised to certify the statements (s.132 (5)).

Recommendation

That Council in accordance with section 132 (5) of the *Local Government Act 1989*:

- **authorises Councillor Emerson and Councillor Erwin to certify the 2019-20 statements in their final form after any changes recommended, or agreed to, by the Auditor General have been made and in accordance with the requirements of the *Local Government Act 1989*.**

RESOLUTION

That Council in accordance with section 132 (5) of the *Local Government Act 1989*:

- **authorises Councillor Emerson and Councillor Erwin to certify the 2019-20 statements in their final form after any changes recommended, or agreed to, by the Auditor General have been made and in accordance with the requirements of the *Local Government Act 1989*.**

Moved: Cr Kevin Erwin
Seconded: Cr Tony Driscoll

Carried

Background/Rationale

Council at its meeting on 21 September 2020 approved in principle the Financial Statements 2019-20 and the Performance Statement 2019-20 and authorised Councillor Erwin and Councillor Hyslop to sign the statements in their final form after review by the Victorian Auditor General's Office (VAGO).

Council was required to await audit clearance from VAGO before the nominated Councillors could sign the Financial Statements and the Performance Statement. Audit clearance was received by VAGO on 29 October 2020 being after the commencement of the caretaker period. As a result it was necessary for Council to await the statutory meeting held on Monday, 9 November 2020 before the nominated Councillors could sign the statements.

Following the resignation of Councillor Hyslop on 9 November 2020, it is necessary for Council to again authorise two councillors to sign the Financial Statements and the Performance Statement.

Legislation, Council Plan, Strategy and Policy Implications

Local Government Act 1989

Council Plan 2017-21 - Improve Organisational Effectiveness

Implications

This report has considered social, heritage/cultural, amenity, human rights/privacy, environmental, economic and marketing, risk management, financial and asset management implications where applicable. Any identified implications have been addressed in this report.

Procurement

There are no procurement matters for consideration.

Community Engagement

There was no engagement as the statements are prescriptive in nature in order to report Council's prior year financial performance.

Innovation and Continuous Improvement

The financial statements and the performance statement are prepared in line with the LG sector's better practice guide and model financial statements.

Collaboration

The financial statements and the performance statement are prepared in line with the LG sector's better practice guide and model financial statements.

Officer's Declaration of Interest

All officers providing advice to Council must disclose any interests, including the type of interest.

Malcolm Lewis Acting Manager Financial Services

In providing this advice as the author, I have no disclosable interests in this report.

Attachments

1. Draft Annual Financial Report 2019-20 v 4.4 [3.1.1 - 56 pages]
2. Draft Performance Report 2019-20 v 3 [3.1.2 - 7 pages]

**Northern Grampians Shire Council
DRAFT ANNUAL FINANCIAL REPORT**

For the Year Ended 30 June 2020

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**Northern Grampians Shire Council
Financial Report
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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.

Malcolm Lewis, FCPA
Principal Accounting Officer

Date :
Stawell

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

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

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

Cr Murray Emerson
Councillor

Date :
Stawell

Cr Kevin Erwin
Councillor

Date :
Stawell

Ms Liana Thompson
Chief Executive Officer

Date :
Stawell

VAGO Opinion

Comprehensive Income Statement For the Year Ended 30 June 2020

	Note	2020 \$'000	Restated * 2019 \$'000
Income			
Rates and charges	3.1	17,857	17,443
Statutory fees and fines	3.2	370	361
User fees	3.3	1,582	1,814
Grants - operating	3.4	11,036	10,207
Grants - capital	3.4	8,029	8,192
Contributions - monetary	3.5	668	666
Reversal of restoration provisions	5.5	45	46
Share of net profits/(loss) of associates	6.3	7	(2)
Other income	3.6	426	544
Total income		40,020	39,271
Expenses			
Employee costs	4.1	(13,218)	(13,223)
Materials and services	4.2	(9,710)	(9,724)
Depreciation	4.3	(12,066)	(10,201)
Amortisation - Right of use assets	4.4	(105)	-
Bad and doubtful debts	4.5	(76)	-
Borrowing costs	4.6	(111)	(124)
Finance Costs - Leases	4.7	(3)	-
Net loss on disposal of property, infrastructure, plant and equipment	4.8	(1,553)	(2,819)
Other expenses	4.9	(1,701)	(1,719)
Total expenses		(38,543)	(37,810)
Surplus/(deficit) for the year		1,477	1,461
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment	6.2	12,373	9,984
Share of other comprehensive income of associates	6.3	(63)	9
Total comprehensive result		13,787	11,454

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

* See note 9.4 for information regarding a prior period adjustment

Balance Sheet As at 30 June 2020

	Note	2020 \$'000	Restated * 2019 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1 (a)	27,208	20,855
Trade and other receivables	5.1 (c)	1,979	2,006
Inventories	5.2 (a)	58	41
Non current assets classified as held for sale	6.1	66	-
Other assets	5.2 (b)	212	630
Investment in associates	6.3	-	787
Total current assets		29,523	24,319
Non-current assets			
Trade and other receivables	5.1 (c)	9	73
Investment in associates	6.3	197	190
Property, infrastructure, plant and equipment	6.2	435,226	425,359
Right-of-use assets	5.8	209	-
Total non-current assets		435,641	425,622
Total assets		465,164	449,941
Liabilities			
Current liabilities			
Trade and other payables	5.3 (a)	2,373	3,210
Trust funds and deposits	5.3 (b)	123	108
Unearned Income	5.3 (c)	1,752	-
Provisions	5.5	2,874	3,081
Interest-bearing loans and borrowings	5.4	218	210
Lease liabilities	5.8	114	-
Total current liabilities		7,454	6,609
Non-current liabilities			
Provisions	5.5	313	390
Interest-bearing loans and borrowings	5.4	2,189	2,408
Unearned Income	5.3 (c)	800	-
Lease Liabilities	5.8	87	-
Total non-current liabilities		3,389	2,798
Total liabilities		10,843	9,407
Net assets		454,321	440,534
Equity			
Accumulated surplus		134,212	133,929
Reserves	9.1	320,109	306,605
Total Equity		454,321	440,534

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

* See note 9.4 for information regarding a prior period adjustment

Statement of Changes in Equity For the Year Ended 30 June 2020

2020	Note	Accumulated		Revaluation	Other
		Total	Surplus	Reserve	Reserves
		\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		440,534	133,929	302,114	4,491
Surplus for the year		1,477	1,477	-	-
Net asset revaluation increment	9.1	12,373	-	12,373	-
Net asset revaluation in associates	6.3	(63)	(63)	-	-
Transfers from other reserves	9.1	-	(1,131)	-	1,131
Balance at end of the financial year		454,321	134,212	314,487	5,622

2019 - Restated *		Accumulated		Revaluation	Other
		Total	Surplus	Reserve	Reserves
		\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		468,359	131,312	333,975	3,072
Prior period adjustment	9.4	(39,279)	2,566	(41,845)	-
Restated opening balance		429,080	133,878	292,130	3,072
Surplus for the year		1,461	1,461	-	-
Net asset revaluation increment	9.1	9,984	-	9,984	-
Net asset revaluation in associates	6.3	9	9	-	-
Transfers from other reserves	9.1	-	(1,419)	-	1,419
Balance at end of the financial year		440,534	133,929	302,114	4,491

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

* See note 9.4 for information regarding a prior period adjustment

**Statement of Cash Flows
For the Year Ended 30 June 2020**

	Note	2020 Inflows/ (Outflows) \$'000	2019 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		17,751	17,362
Statutory fees and fines		370	361
User fees		1,296	1,718
Grants - operating		11,036	10,207
Grants - capital		8,029	8,192
Contributions - monetary		668	666
Trust funds and deposits taken		15	(117)
Other receipts		492	474
Net GST refund / (payment)		386	(467)
Employee costs		(13,457)	(13,050)
Materials and services		(7,467)	(8,514)
Other payments		(1,547)	(1,719)
Net cash provided by operating activities	9.2	17,572	15,113
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	6.2	(10,903)	(10,104)
Proceeds from sale of property, infrastructure, plant and equipment		101	52
Loans and advances made		21	41
Net cash used in investing activities		(10,781)	(10,011)
Cash flows from financing activities			
Finance costs		(111)	(124)
Repayment of borrowings		(211)	(322)
Interest paid - lease liability		(3)	-
Repayment of lease liabilities		(113)	-
Net cash used in financing activities		(438)	(446)
Net increase in cash and cash equivalents		6,353	4,656
Cash and cash equivalents at the beginning of the financial year		20,855	16,199
Cash and cash equivalents at the end of the financial year	5.1 (a)	27,208	20,855
Financing arrangements	5.6		
Restrictions on cash assets	5.1 (b)		

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

**Statement of Capital Works
For the Year Ended 30 June 2020**

	2020 \$'000	2019 \$'000
Property		
Buildings	1,443	388
Total property	<u>1,443</u>	<u>388</u>
Plant and equipment		
Plant, machinery and equipment	1,030	387
Fixtures, fittings and furniture	-	90
Library resources	400	-
Computers and telecommunications	17	5
Total plant and equipment	<u>1,447</u>	<u>482</u>
Infrastructure		
Roads	5,387	4,900
Bridges	1,425	2,132
Footpaths and cycleways	657	1,316
Drainage	190	425
Parks, open spaces and streetscapes	755	315
Other infrastructure	-	147
Total infrastructure	<u>8,414</u>	<u>9,235</u>
Total capital works expenditure	<u>11,304</u>	<u>10,105</u>
Represented by:		
New asset expenditure	2,245	2,007
Asset renewal expenditure	6,319	5,649
Asset upgrade expenditure	2,740	2,449
Total capital works expenditure	<u>11,304</u>	<u>10,105</u>

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

OVERVIEW

Introduction

The Northern Grampians Shire Council was established by an Order of the Governor in Council on 20 January, 1995 and is a body corporate.
The Council's main office is located at 59-69 Main Street, Stawell.

Statement of compliance

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

Significant accounting policies

(a) Basis of accounting

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

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

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

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

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

OVERVIEW (cont)

(b) Impact of COVID-19 crisis on council operations and 2019-20 financial report

On 11 March 2020, COVID-19 was declared as a global pandemic by the world health organisation. Since then, various measures were taken by all three levels of Government in Australia to reduce the spread of COVID-19. This crisis and measures taken to mitigate it has impacted council operations in the following areas for the financial year ended 30 June 2020:

- Council's sports and aquatic centre experienced a reduction in attendance resulting in an estimated loss of revenue in the order of \$0.2m compared to budget.
- Council's Early Learning Centre was required to close its doors prior to 30 June 2020 resulting in an estimated loss of income in the order of \$0.1m.
- There was minimal impact on staffing costs as the majority of impacted staff were able to be redeployed.
- Council has provided rent relief in the form of rent waiver to lessee's meeting the criteria under the Victorian Government Tenancy. There was no material impact to Council's revenue for the 2019/20 financial year.
- While Council offered ratepayers deferred payment of rates and charges, this initiative did not result in any material impact to the financial statements.

**Notes to the Financial Report
For the Year Ended 30 June 2020**

Note 1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The Local Government (Planning and Reporting) Regulations 2014 requires explanation of any material variances. Council has adopted a materiality threshold of \$250,000 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 25/06/2019. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

1.1 Income and expenditure

	Budget 2020 \$'000	Actual 2020 \$'000	Variance 2020 \$'000	Variance 2020 %	Ref
Income					
Rates and charges	18,110	17,857	(253)	-1%	1
Statutory fees and fines	320	370	50	16%	
User fees	1,811	1,582	(229)	-13%	
Grants - operating	5,564	11,036	5,472	98%	2
Grants - capital	7,598	8,029	431	6%	3
Contributions - monetary	297	668	371	125%	4
Reversal of provision	-	45	45	100%	
Share of net profits/(losses) of associates	-	7	7	100%	
Other income	705	426	(279)	-40%	5
Total income	34,405	40,020	5,615	16%	
Expenses					
Employee costs	(14,235)	(13,218)	1,017	-7%	6
Materials and services	(9,576)	(9,710)	(134)	1%	
Bad and doubtful debts	-	(76)	(76)	100%	
Depreciation	(9,467)	(12,066)	(2,599)	27%	7
Amortisation - Right of use assets	-	(105)	(105)	100%	
Borrowing costs	(111)	(111)	-	0%	
Finance costs - Leases	-	(3)	(3)	100%	
Net loss on disposal of property, infrastructure, plant and equipment	-	(1,553)	(1,553)	100%	8
Other expenses	(1,647)	(1,701)	(54)	3%	
Total expenses	(35,036)	(38,543)	(3,507)	10%	
Surplus for the year	(631)	1,477	2,108	-334%	

Performance against budget (cont.)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Rates & Charges	Delays in windfarm projects has resulted in rates in lieu not being recovered for 2019/20.
2	Grants - Operating	Early financial assistance payment (FAG) for 20/21 received in 19/20 that was not budgeted for \$4.1m. Further grant of \$383k received for Working for Victoria initiative resulting from COVID-19 pandemic. New funding was received in 19/20 for Stawell Gift of \$200k together with one off grant opportunities received and utilised in 19/20 for Workforce Attraction Strategy & Streamlining for Growth \$111k and Grampians RDV Region Cycling \$200k. Further initiatives totalling \$400k was also received for 2019/20.
3	Grants - Capital	Flood income of \$1.5m received in 19/20 relating to project works associated with the 2017 floods. This has been offset by \$1.1m of grant funding budgeted in 19/20 but allocated as income in advance to the 20/21 year for projects not yet commenced.
4	Contributions - monetary	The variance mainly comprises \$200k for a contribution to capital works that was incorrectly budgeted to Other Income rather than budgeted to Contributions - monetary.
5	Other Income	The variance mainly relates to the incorrect allocation of \$200k budget that should have been budgeted to contributions - monetary. Increase in reimbursement income of \$79k across various services.
6	Employee Costs	Staff turnover and restructure of services has contributed to the variance against budget.
7	Depreciation	The increase in depreciation is mainly due to the prior 2019 revaluation of buildings not known at the time of budget adoption. The buildings revaluation resulted in an increase in depreciable building assets as well as a review of useful lives resulting in the higher depreciation charge in the order of \$1m. In addition, the net impact of found assets, in 2019 year was also not available at the time of budget adoption, impacted depreciation by a further \$750k.
8	Net loss on Disposal of Property, Infrastructure, Plant & Equipment	When capital works are performed it is expected to have a portion of an asset that is disposed as assets need to be periodically maintained (before they fall apart) in order to remain safe for the community to use.

Note 1 Performance against budget (cont'd)

1.2 Capital Works

	Budget 2020 \$'000	Actual 2020 \$'000	Variance 2020 \$'000	Variance 2020 %	Ref
Buildings	500	1,443	943	189%	1
Total Property	500	1,443	943	189%	
Plant and Equipment					
Plant, machinery and equipment	715	1,030	315	44%	2
Library resources	-	400	400	0%	3
Computers and telecommunications	-	17	17	0%	
Total Plant and Equipment	715	1,447	732	102%	
Infrastructure					
Roads	9,658	5,387	(4,271)	-44%	4
Bridges	-	1,425	1,425	100%	5
Footpaths and cycleways	-	657	657	100%	6
Drainage	-	190	190	100%	
Parks, open spaces and streetscapes	5,285	755	(4,530)	-86%	7
Total Infrastructure	14,943	8,414	(6,529)	-44%	
Total Capital Works Expenditure	16,158	11,304	(4,854)	-30%	
Represented by:					
New asset expenditure	2,790	2,245	(545)	-20%	
Asset renewal expenditure	8,689	6,319	(2,370)	-27%	
Asset upgrade expenditure	4,679	2,740	(1,939)	-41%	
Total Capital Works Expenditure	16,158	11,304	(4,854)	-30%	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Buildings	The variance is due to the inclusion of \$1m North Park Precinct Works that were budgeted against Parks, Open Spaces and Streetscapes.
2	Plant, Machinery & Equipment	Major plant acquisitions that were not accounted for at the time of the adopted budget.
3	Library Resources	This variance is due to the \$400k acquisition of the library assets (majority was books) for the Stawell and St Arnaud libraries that were taken on by Council on 30 June 2020. This was unbudgeted as Council made this decision during the 2019/20 financial year.
4	Roads	The allocation of budget for roads includes bridges, footpaths and drainage. The roads program was incomplete because of weather and resource availability due to COVID-19. There were also a number of assets that were budgeted in parks, open spaces and streetscapes that were actually road assets.
5	Bridges	\$448k is WIP that is impacted by the slower supply chain due to COVID-19. There were also projects that were not started because we could not get contractors on board due to COVID-19 restrictions.
6	Footpath & Cycleways	\$400k worth of costs from the streetscapes and open spaces programs were actually footpath assets and therefore these figures are not a direct comparison. The budgeted footpaths program was achieved.
7	Parks, Open Spaces and streetscapes	The variance includes \$1.7m budgeted works at North Park Precinct however the corresponding actual was reclassified to the building asset category. The variance is also due to a number of budgeted projects not completed including \$1.2m for the Stawell Park Precinct, \$0.5m Halls Gap Action Plan, \$0.5m Stawell Housing Development as well as \$0.4m Stawell Airport Upgrades.

Note 2.1 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

2.1 (a) Your Lifestyle

Community life provides high quality community focused programs, service delivery and communication to residents. Community life is comprised of community care, connected communities, family services, health communities, leisure and recreational services which includes parks and sporting ovals together with social planning and investment.

Growing Our Economy

Growing our economy supports local festivals and events and advocates on behalf of the community for major events, tourism and cultural opportunities. Growing our economy is responsible for economic development and events and tourism. It further encompasses the planning services area that includes the assessment of town development; planning strategy and urban growth.

Maintaining Assets

Maintaining assets is responsible for constructing new infrastructure and maintaining existing infrastructure across a very diverse range of assets that underpin the wellbeing of the community. These assets include roads, bridges, footpaths and drainage together with community buildings.

Community Safety

Community safety provides efficient and effective services to meet the growing needs of the community. The service area is dedicated to the health, safety and amenity of the community. The service includes environment and waste, building safety, community protection, emergency management and municipal resources.

Governance

Governance provides effective governance oversight of the organisation. Human resource management provides support to the organisation and ensures councils customer focus includes communication and community engagement processes. Service areas include governance, enterprise risk and legal services.

Finance and strategy provides efficient, effective and proactive support services across council to enable the delivery of policy commitments, council vision and mission. The provision of these services includes finance services, digital information and technology, property and procurement.

**Notes to the Financial Report
For the Year Ended 30 June 2020**

Note 2.1 Analysis of Council results by program

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

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
2020	\$'000	\$'000	\$'000	\$'000	\$'000
Your Lifestyle	8,485	6,015	2,470	4,383	5,587
Growing Our Economy	3,315	2,892	423	1,655	-
Maintaining Assets	16,561	19,342	(2,781)	9,776	429,794
Community Safety	3,149	3,147	2	1,433	-
Governance	8,510	7,147	1,363	1,818	29,783
	40,020	38,543	1,477	19,065	465,164

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets *
2019 - Restated *	\$'000	\$'000	\$'000	\$'000	\$'000
Your Lifestyle	8,616	6,585	2,031	3,807	5,480
Growing Our Economy	2,465	2,520	(55)	1,159	-
Maintaining Assets	20,174	19,344	830	10,692	420,646
Community Safety	2,888	3,084	(196)	1,091	-
Governance	5,128	6,277	(1,149)	1,650	23,815
	39,271	37,810	1,461	18,399	449,941

* See note 9.4 for information regarding a prior period adjustment

Notes to the Financial Report
For the Year Ended 30 June 2020

Note 3 Funding for the delivery of our services

3.1 Rates and charges

2020 \$'000	2019 \$'000
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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 estimated realisable value if offered for sale at the time of the valuation.

The valuation base used to calculate general rates for 2019-20 was \$2,800 million (2018-19, \$2,650 million). The 2019-20 rate in the capital improved value dollar was 0.6697 cents (2018-19 0.6894 cents).

General rates

Residential rates	8,004	7,735
Commercial rates	919	937
Industrial rates	310	323
Farm rates	4,504	4,371
Total general rates	13,737	13,366

Other rates and charges

Municipal charge	1,283	1,253
Waste management charge	2,800	2,787
Rates in lieu	23	23
Cultural and recreational	14	14
Total other rates and charges	4,120	4,077
Total rates and charges	17,857	17,443

The date of the previous general revaluation of land for rating purposes within the municipal district was 1 January 2019, & the valuation first applied in the rating year commencing 1 July 2019.

Annual rates and charges are recognised as revenues when Council issues annual rates notices.

Supplementary rates are recognised when a valuation and reassessment is completed and a supplementary rates notice issued.

3.2 Statutory fees and fines

Infringements and costs	10	1
Town planning fees	139	140
Land information certificates	15	12
Permits	206	208
Total statutory fees and fines	370	361

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

3.3 User fees

Aged and health services	442	399
Leisure centre and recreation *	370	493
Child care/children's programs *	225	266
Registration and other permits	203	183
Waste management services	34	137
Tourism and event fees	-	1
Hire income	6	10
Rental fees	103	116
Infrastructure fees	181	192
Shared services	-	4
Other fees and charges	18	13
Total user fees	1,582	1,814

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

* The impact of COVID-19 has resulted in a loss of user fees to Council's Leisure centre as well as the child care programs in the order of \$0.2m and \$0.1m respectively.

Notes to the Financial Report
For the Year Ended 30 June 2020

	2020 \$'000	2019 \$'000
3.4 Funding from other levels of government		
Grants were received in respect of the following		
Summary of grants		
Commonwealth funded grants	12,274	13,728
State funded grants	6,791	4,671
Total	19,065	18,399
(a) Operating grants		
<i>Recurrent - Commonwealth Government</i>		
Financial Assistance Grants	7,848	7,774
Aged care	654	615
Child care	17	31
Other	7	6
<i>Recurrent - State Government</i>		
Aged care	121	136
Maternal and child health	269	217
Recreation	200	-
Community safety	120	123
Pre school	334	228
Youth	50	108
Other	75	75
Total recurrent operating grants	9,695	9,313
<i>Non-recurrent - Commonwealth Government</i>		
Economic development	222	64
<i>Non-recurrent - State Government</i>		
Aged care	34	-
Family and children	62	130
Youth	1	13
Infrastructure operations	-	10
Economic development	498	232
Recreation	11	21
Other	513	424
Total non-recurrent operating grants	1,341	894
Total operating grants	11,036	10,207
(b) Capital grants		
<i>Recurrent - Commonwealth Government</i>		
Roads to recovery	1,858	1,131
Total recurrent capital grants	1,858	1,131
<i>Non-recurrent - Commonwealth Government</i>		
Parks, Open Spaces & Streetscapes	19	-
Infrastructure	255	60
Natural disaster reconstruction	1,394	4,047
<i>Non-recurrent - State Government</i>		
Buildings	202	299
Parks, Open Spaces & Streetscapes	2,155	1,065
Recreational facilities	-	490
Infrastructure	1,946	1,100
Natural disaster reconstruction	200	-
Total non-recurrent capital grants	6,171	7,061
Total capital grants	8,029	8,192

**Notes to the Financial Report
For the Year Ended 30 June 2020**

3.4 Funding from other levels of government (cont)	2020 \$'000	2019 \$'000
(c) Unspent grants received on condition that they be spent in a specific manner		
Balance at start of year	1,481	770
Received during the financial year and remained unspent at balance date	3,704	860
Received in prior years and spent during the financial year	(1,272)	(149)
Balance at year end	3,913	1,481

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

3.5 Contributions		
Monetary	668	666
Total contributions	668	666

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

3.6 Other income		
Interest	216	347
Other	210	197
Total other income	426	544

Interest is recognised as it is earned.

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

Notes to the Financial Report
For the Year Ended 30 June 2020

Note 4 The cost of delivering services	2020 \$'000	2019 \$'000
4.1 (a) Employee costs		
Wages and salaries	13,314	12,640
less capitalised wages and salaries	(1,376)	(1,331)
	11,938	11,309
WorkCover	265	265
Superannuation	1,177	1,107
Fringe benefits tax	45	45
Other	(207)	497
Total employee costs	13,218	13,223
(b) Superannuation		
Council made contributions to the following funds:		
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	60	53
	60	53
Employer contributions payable at reporting date.	43	5
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	685	661
Employer contributions - other funds	433	393
	1,118	1,054
Employer contributions payable at reporting date.	(210)	48

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2021 is \$65k. Refer to Note 9.3 for further information relating to Council's superannuation obligations.

4.2 Materials and services *	2020	2019
Advertising and communications	185	407
Building maintenance	136	206
Consultants	205	190
Consumables	113	158
Contract employees	548	468
Contractors - Building and Facilities	349	288
Contractors - Environment	111	143
Contractors - Waste Operations	1,086	1,212
Contractors - Cleaning Services	178	199
Contractors - Others	1,285	395
Contractors - Flood	387	1,259
Contributions	211	107
Fuel	566	595
General maintenance	729	616
Information technology	793	714
Insurance	683	415
Legal expenses	77	90
Materials and services	588	575
Memberships and subscriptions	219	179
Minor equipment	80	55
Office administration	130	158
Security costs	33	52
Training	103	272
Uniforms and protective clothing	92	69
Utilities	404	458
Waste management	419	444
Total materials and services	9,710	9,724

* The impacts of COVID-19 did not materially affect Council's expenditure as detailed in the schedule of materials and services listed above.

Notes to the Financial Report
For the Year Ended 30 June 2020

	2020 \$'000	2019 \$'000
4.3 Depreciation		
Property	1,790	762
Plant and equipment	872	807
Infrastructure	9,404	8,632
Total depreciation	12,066	10,201

Refer to note 5.8 and 6.2 for a more detailed breakdown of depreciation and amortisation charges and

4.4 Amortisation - Right of use assets

Vehicles	105	-
Total Amortisation - Right of use assets	105	-

4.5 Bad and doubtful debts *

Other debtors	76	-
Total bad and doubtful debts	76	-

Movement in provisions for doubtful debts

Balance at the beginning of the year	2	2
New provisions recognised during the year	76	-
Balance at the end of year	78	2

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

* Council has reviewed the disclosure of bad and doubtful debts in the context of COVID-19 and assessed that no further provision is required.

4.6 Borrowing costs

Interest - Borrowings	111	124
Total borrowing costs	111	124

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.

4.7 Finance Costs - Leases

Interest - Lease Liabilities	3	-
Total finance costs	3	-

4.8 Net loss on disposal of property, infrastructure, plant and equipment

Proceeds of sale	101	52
Written down value of assets disposed	(1,654)	(2,871)
Total net loss on disposal of property, infrastructure, plant and equipment	(1,553)	(2,819)

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

4.9 Other expenses

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	29	39
Auditors' remuneration - Internal	2	15
Councillors' allowances	208	189
Regional library contribution	472	519
Tourism contribution	318	313
Community contributions	395	277
Operating lease rentals	251	313
Other	26	54
Total other expenses	1,701	1,719

**Notes to the Financial Report
For the Year Ended 30 June 2020**

Note 5 Our financial position	2020	2019
5.1 Financial assets	\$'000	\$'000
(a) Cash and cash equivalents		
Cash on hand	2	2
Cash at bank	27,206	20,853
	27,208	20,855

Council's cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:

- Trust funds and deposits (Note 5.3 (b))	123	108
- Unspent grants (Note 3.4)	3,913	1,481
(b) Total restricted funds	4,036	1,589
Total unrestricted cash and cash equivalents	23,172	19,266

Intended allocations

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

- Cash held to fund carried forward capital works	2,459	1,750
- Cash held to fund carried forward projects	70	533
- Reserve funds (Note 9.1)	5,622	4,491
Total funds subject to intended allocations	8,151	6,774

(c) Trade and other receivables

Current

Statutory receivables

Rates debtors	1,025	919
Net GST receivable	201	587

Non statutory receivables

Loans and advances to community organisations	99	56
Other debtors	732	446
Provision for doubtful debts - other debtors	(78)	(2)

Total current trade and other receivables 1,979 2,006

Non-current

Non statutory receivables

Loans and advances to community organisations	9	73
Total non-current trade and other receivables	9	73

Total trade and other receivables **1,988** **2,079**

Short term receivables are carried at invoice amount. Long term receivables are carried at amortised cost using the effective interest rate method.

(d) Ageing of Receivables *

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

Current (not yet due)	415	509
Past due by up to 30 days	229	41
Past due between 31 and 90 days	8	6
Past due between 91 and 365 days	105	12
Past due by more than 1 year	83	7
Total trade & other receivables	840	575

* Council has reviewed the ageing of receivables in the context of COVID-19 and assessed that no further impairments are required.

**Notes to the Financial Report
For the Year Ended 30 June 2020**

5.1 Financial assets (cont)

(e) Ageing of individually impaired Receivables

At balance date, other debtors representing financial assets with a nominal value of \$105,000 (2019: \$83,000) were impaired. The amount of the provision raised against these debtors was \$78,000 (2019: \$2,000). They individually have been impaired as a result of their doubtful collection.

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

Current (not yet due)	-	-
Past due by up to 30 days	-	-
Past due between 31 and 90 days	-	-
Past due between 91 and 365 days	9	-
Past due by more than 1 year	69	2
Total trade & other receivables	78	2

5.2 Non-financial assets

(a) Inventories

Inventories held for distribution	56	39
Inventories held for sale	2	2
Total inventories	58	41

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

(b) Other assets

Prepayments	39	560
Accrued income	173	70
Total other assets	212	630

	2020 \$'000	2019 \$'000
5.3 Payables		
(a) Trade and other payables		
Trade payables	1,813	2,822
Accrued wages and salaries	111	333
Accrued expenses	449	55
Total trade and other payables	2,373	3,210
(b) Trust funds and deposits		
Refundable deposits	6	7
Fire service levy	115	100
Retention amounts	2	1
Total trust funds and deposits	123	108
(c) Unearned Income		
Grants received in advance - operating	220	-
Grants received in advance - capital	2,332	-
Total unearned income	2,552	-

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

Unearned Income

This represents grants received in advance for capital and operating projects to be recognised when the specific obligations for the grant agreement have been fulfilled; other income in advance comprised of fees and contributions with specific obligations to be recognised when they have been fulfilled.

Purpose and nature of items

Refundable deposits - Deposits are taken by council as a form of surety in a number of circumstances, including in relation to building works 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 an agreement to administer a community grant program on behalf of a local organisation that wishes contribute to the community. These monies are not Council monies and will be drawn down as the grant program is awarded.

5.4 Interest-bearing loans		
Current		
Borrowings - secured (1)	218	210
	218	210
Non-current		
Borrowings - secured (1)	2,189	2,408
	2,189	2,408
Total	2,407	2,618
(1) Borrowings are secured by the general rates of the Council		
a) The maturity profile for Council's borrowings is:		
Not later than one year	218	210
Later than one year and not later than five years	1,189	1,408
Later than five years	1,000	1,000
	2,407	2,618

5.4 Interest-bearing loans (cont)

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.

5.5 Provisions

	Employee Provisions	Landfill restoration	Gravel pit restoration	Total
	\$ '000	\$ '000	\$ '000	\$ '000
2020				
Balance at beginning of the financial year	3,307	67	97	3,471
Additional provisions	(457)	-	-	(457)
Amounts used	(1,188)	-	-	(1,188)
Provision reversed	-	(5)	(40)	(45)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	1,406	-	-	1,406
Balance at the end of the financial year	3,068	62	57	3,187

2019				
Balance at beginning of the financial year	3,134	72	138	3,344
Additional provisions	2,051	-	-	2,051
Amounts used	(1,741)	-	-	(1,741)
Provision reversed	-	(5)	(41)	(46)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	(137)	-	-	(137)
Balance at the end of the financial year	3,307	67	97	3,471

	2020 \$'000	2019 \$'000
(a) Employee provisions		
Current provisions expected to be wholly settled within 12		
Annual leave	850	772
Rostered days off	12	14
Long service leave	21	64
	883	850
Current provisions expected to be wholly settled after 12 months		
Annual leave	556	525
Long service leave	1,435	1,706
	1,991	2,231
Total current provisions	2,874	3,081
Non-current		
Long service leave	194	226
Total non-current provisions	194	226
Aggregate carrying amount of employee provisions:		
Current	2,874	3,081
Non-current	194	226
Total aggregate carrying amount of employee	3,068	3,307

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

5.5 Provisions (cont)

Annual leave

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

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

Long service leave

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

Key assumptions:

- inflation rate 3.00% 3.00%
Discount rates depend on the years of service and are based upon the rates released by the Department of Treasury and Finance.

(b) Land fill restoration

Non-current

	2020 \$'000	2019 \$'000
	62	67
	62	67

Council is obligated to restore the St Arnaud landfill site to a particular standard. 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 the EPA self assessment tool and the current understanding of work required to reinstate the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

c) Gravel pit restoration

Non-current

	2020 \$'000	2019 \$'000
	57	97
	57	97

Council is obligated to restore the Kara Kara gravel pit site to a particular standard. The forecast life of the site is based on current estimates of remaining capacity and the forecast rate of gravel use. The provision for gravel pit 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 the required revegetation required and the infill of the site to reinstate the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

5.6 Financing arrangements

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

Bank overdraft
Credit Card Facilities
Total Facilities

	2020 \$'000	2019 \$'000
	200	200
	250	250
	450	450
Unused facilities	450	450
Unused facilities	450	450

Notes to the Financial Report
For the Year Ended 30 June 2020

5.7 Commitments

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

2020	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
Operating					
Waste Management	1,040	-	-	-	1,040
Provision for Meals on Wheels	162	166	-	-	328
Cleaning Services	493	503	973	-	1,969
Provision of Transfer Stations	70	71	109	-	250
Infrastructure & Environment	274	278	282	-	834
Financial Services	56	56	56	-	168
Software Licence Agreement	218	222	418	-	858
Tourism	42	-	-	-	42
Architect Services	168	-	-	-	168
Total	2,523	1,296	1,838	-	5,657
Capital					
Bridges	230	-	-	-	230
Roads	2,008	2,048	4,945	-	9,001
Recreation Facilities	3,089	-	-	-	3,089
Total	5,327	2,048	4,945	-	12,320

2019	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
Operating					
Waste management	934	-	-	-	934
Provision for Meals on Wheels	154	-	-	-	154
Cleaning services	286	172	475	-	933
Provision of transfer stations	70	72	186	-	328
Infrastructure & Environment	239	165	338	-	742
Financial Services	56	56	113	-	225
Software Licence Agreement	193	193	548	-	934
Tourism	42	42	-	-	84
Architect Services	46	-	-	-	46
Total	2,020	700	1,660	-	4,380
Capital					
Bridges	448	-	-	-	448
Total	448	-	-	-	448

5.8 Leases

Policy applicable before 1 July 2019

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

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

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

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

Policy applicable after 1 July 2019

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

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

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

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

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

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

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

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

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

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

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

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

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

5.8 Leases (cont)

Right-of-Use Assets

Balance at 1 July 2019
Amortisation charge
Balance at 30 June 2020

	2020 Vehicles \$'000	2020 Total \$'000
	314	314
	(105)	(105)
	209	209

Lease Liabilities

Maturity analysis - contractual undiscounted cash flows
Less than one year
One to five years
More than five years
Total undiscounted lease liabilities as at 30 June:

	2020 \$'000
	116
	88
	-
	204

Lease liabilities included in the Balance Sheet at 30 June:

Current
Non-current
Total lease liabilities

	114
	87
	201

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

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

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

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

ii. Leases previously classified as finance leases

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

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

Impact on financial statements

When measuring lease liabilities, Council discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 0.87%.

Lease commitment at 30 June 2019 as disclosed in Council's financial statements
Prior period adjustment *
Adjusted opening balance lease commitment at 1 July 2019

	2019 \$'000
	1,022
	(581)
	441

Discounted using the incremental borrowing rate at 1 July 2019
Lease commitment recognised as at 30 June 2019

	(5)
	436

- Recognition exemption for:
short-term leases
leases of low-value assets
Total Exempt Leases

	122
	-
	122

Lease liabilities recognised as at 1 July 2019

	314
--	------------

* The 2019 lease commitment of \$1,022k included a \$581k allowance for expected new lease commitments that did not occur during the 2020 year.

Note 6 Assets we manage

6.1 Non current assets classified as held for sale

Cost of acquisition

Total non current assets classified as held for sale

	2020 \$'000	2019 \$'000
	66	-
	66	-

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

6.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2019 *	Acquisitions	Transfers	Write-Offs	Revaluation	Depreciation	Disposal	At Fair Value 30 June 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	11,786	-	(66)	(6)	-	(26)	(38)	11,650
Buildings	55,069	276	-	-	-	(1,764)	(11)	53,570
Plant and Equipment	5,660	1,447	-	-	-	(872)	(117)	6,118
Infrastructure	351,880	6,025	621	-	12,373	(9,404)	(1,485)	360,010
Work in progress	963	3,556	(621)	(20)	-	-	-	3,878
	425,358	11,304	(66)	(26)	12,373	(12,066)	(1,651)	435,226

Summary of Work in Progress

	Opening WIP	Additions	Transfers	Write Offs	Closing WIP
	\$'000	\$'000	\$'000	\$'000	\$'000
Buildings	-	1,167	-	-	1,167
Infrastructure	963	2,389	(621)	(20)	2,711
Total	963	3,556	(621)	(20)	3,878

* See note 9.4 for information regarding a prior period adjustment

(a) Land and Buildings	Land - specialised	Land - non specialised	Land improvements	Total Land	Buildings - specialised	Total Buildings	Work In Progress	Total Property
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2019	11,328	432	132	11,892	73,175	73,175	-	85,067
Accumulated depreciation at 1 July 2019	-	-	(106)	(106)	(18,106)	(18,106)	-	(18,212)
	11,328	432	26	11,786	55,069	55,069	-	66,855
Movements in fair value								
Acquisition of assets at fair value	-	-	-	-	276	276	1,167	1,443
Reclassified as held for sale	-	(66)	-	(66)	-	-	-	(66)
Impairment losses recognised in operating result	-	(6)	-	(6)	-	-	-	(6)
Fair value of assets disposed	(38)	-	-	(38)	(13)	(13)	-	(51)
Transfers	42	(42)	-	-	-	-	-	-
	4	(114)	-	(110)	263	263	1,167	1,320
Movements in accumulated depreciation								
Depreciation	-	-	(26)	(26)	(1,764)	(1,764)	-	(1,790)
Accumulated depreciation of disposals	-	-	-	-	2	2	-	2
	-	-	(26)	(26)	(1,762)	(1,762)	-	(1,788)
At fair value 30 June 2020	11,332	318	132	11,782	73,438	73,438	1,167	86,387
Accumulated depreciation at 30 June 2020	-	-	(132)	(132)	(19,868)	(19,868)	-	(20,000)
	11,332	318	-	11,650	53,570	53,570	1,167	66,387

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

(b) Plant and Equipment	Plant machinery and equipment \$'000	Fixtures fittings and furniture \$'000	Library Resources \$'000	Computers and telecoms \$'000	Total plant and equipment \$'000
At fair value 1 July 2019	11,079	440	-	1,331	12,850
Accumulated depreciation at 1 July 2019	(5,666)	(339)	-	(1,185)	(7,190)
	5,413	101	-	146	5,660
Movements in fair value					
Acquisition of assets at fair value	1,030	-	400	17	1,447
Fair value of assets disposed	(297)	-	-	(28)	(325)
	733	-	400	(11)	1,122
Movements in accumulated depreciation					
Depreciation	(771)	(23)	-	(78)	(872)
Accumulated depreciation of disposals	180	-	-	28	208
	(591)	(23)	-	(50)	(664)
At fair value 30 June 2020	11,812	440	400	1,320	13,972
Accumulated depreciation at 30 June 2020	(6,257)	(362)	-	(1,235)	(7,854)
	5,555	78	400	85	6,118

(c) Infrastructure	Roads \$'000	Bridges \$'000	Footpaths and cycleways \$'000	Drainage \$'000	Parks open spaces and streetscapes \$'000	Other Infrastructure \$'000	Work In Progress \$'000	Total Infrastructure \$'000
At fair value 1 July 2019 - * Restated	280,064	98,668	17,364	21,091	6,110	786	963	425,046
Accumulated depreciation at 1 July 2019	(43,743)	(10,462)	(6,527)	(9,300)	(1,887)	(284)	-	(72,203)
	236,321	88,206	10,837	11,791	4,223	502	963	352,843
Movements in fair value								
Acquisition of assets at fair value	3,879	867	511	188	580	-	2,389	8,414
Revaluation increments/decrements	15,537	-	1,539	-	-	-	-	17,076
Fair value of assets disposed	(1,395)	(290)	(69)	(5)	-	(127)	-	(1,886)
WIP Expensed	-	-	-	-	-	-	(20)	(20)
Transfers	5,269	(5,230)	104	766	162	(450)	(621)	-
	23,290	(4,653)	2,085	949	742	(577)	1,748	23,584
Movements in accumulated depreciation								
Depreciation	(7,619)	(915)	(394)	(234)	(240)	(2)	-	(9,404)
Accumulated depreciation of disposals	249	51	17	3	-	81	-	401
Revaluation adjustment on accumulated depreciation	(3,721)	-	(982)	-	-	-	-	(4,703)
Transfers	(1,180)	1,180	-	(147)	(15)	162	-	-
	(12,271)	316	(1,359)	(378)	(255)	241	-	(13,706)
At fair value 30 June 2020	303,354	94,015	19,449	22,040	6,852	209	2,711	448,630
Accumulated depreciation at 30 June 2020	(56,014)	(10,146)	(7,886)	(9,678)	(2,142)	(43)	-	(85,909)
	247,340	83,869	11,563	12,362	4,710	166	2,711	362,721

* See note 9.4 for information regarding a prior period adjustment

6.2 Property, infrastructure, plant and equipment (cont)

Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the amount for which the asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

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

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

Land under roads

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

Depreciation

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

Buildings were revalued in 2019 and the range of depreciation periods has not changed, however the number of buildings with a higher depreciation rate has increased. This has resulted in approximately \$1m in additional depreciation annually for buildings.

Additional road data was captured in 2020 and the subsequent range of depreciation periods has not changed, however the useful life of some sealed pavements (high use sealed roads) has decreased from 80 to 50 years resulting in approximately \$25k in additional depreciation annually for sealed pavements.

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

Asset recognition thresholds and depreciation periods

	Depreciation Period	Threshold Limit \$'000
Property		
land	- All assets	
land improvements	5 years	5
land under roads	- All assets	
Buildings		
buildings	15-100 years	5
Plant and Equipment		
plant, machinery and equipment	1-20 years	2
fixtures, fittings and furniture	2-10 years	2
computers and telecommunications	3-10 years	2
Infrastructure		
road pavements and seals	5-80 years	5
road formation and earthworks	-	5
road kerb and channel	15-100 years	5
bridges superstructure	120 years	15
bridges substructure	120 years	15
bridges rails	40 years	15
major culverts	20-80 years	15
footpaths and cycleways	15-80 years	5
drainage	20-120 years	5
parks, open spaces and streetscapes	15-100	5
heritage assets	15-100 years	10

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.

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

Valuation of land and buildings

Valuation of land was undertaken by qualified independent valuers Grant Kerambrun AAPI Certified Practising Valuer VRC Property Pty Ltd as at 30/06/2018. A revaluation and condition assessment of buildings was undertaken by Ashay Prabhu of Assetic Pty Ltd, MIE (Aust) CPEng, NPER: Membership 1102199 in the 2019/20 financial year. 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.

The date of the current valuation (DoV) is detailed in the table below together with details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2020 which are as follows:

	\$'000 Level 1	\$'000 Level 2	\$'000 Level 3	DoV
Non-specialised land	-	318	-	06/18
Specialised land	-	-	11,332	06/18
Land improvements	-	-	-	06/18
Buildings	-	-	53,570	06/19

Valuation of infrastructure

The valuation method used for Council Infrastructure assets depends on the asset class. Roads, bridges, footpaths and drainage are all valued using the revaluation method. Parks & open spaces and other infrastructure are valued using the cost method. All assets are reviewed for fair value on an annual basis.

Valuation of road and footpath assets has been determined in accordance with an internal valuation undertaken by Mr Kandee Balasingham B.Engineering (Civil) MIE Aust as at 31/03/2020. This valuation was reviewed at 30 June 2020 with no material changes to valuations.

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

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

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

	\$'000 Level 1	\$'000 Level 2	\$'000 Level 3	DoV
Roads	-	-	247,340	03/20
Bridges	-	-	83,869	07/19
Footpaths and cycleways	-	-	11,563	03/20
Drainage	-	-	12,362	07/19
Parks (etc)	-	-	4,710	N/A
Other infrastructure	-	-	166	N/A

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

Description of significant unobservable inputs into level 3 valuations

Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% 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 \$0.05 and \$202.61 per square metre.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs are calculated by individual building components and the remaining useful lives are determined on the basis of the current condition of each of the various components. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset. 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. Parks and other infrastructure are valued using the cost method.

	2020 \$'000	2019 * \$'000
Reconciliation of specialised land		
Land under roads	2	2
Parks and reserves	5,023	5,023
Vacant land	716	716
Water management	242	242
Waste management	286	286
Gravel reserve	263	263
Aerodromes	269	269
Carpark	619	619
Recreation	511	511
Zoning restrictions	726	726
Council controlled	2,062	2,058
Other	613	613
Total specialised land	11,332	11,328

* Restated prior year due to prior period adjustment detailed in Note 9.4a

Notes to the Financial Report
For the Year Ended 30 June 2020

	2020 \$'000	2019 \$'000
6.3 Investment in associates		
Investments in associates		
Investments in associates accounted for by the equity method are:		
- Wimmera Regional Library Corporation	-	787
- Wimmera Development Association	197	190
	197	977
Change in equity share apportionment	(63)	9
Share of (deficit)/surplus for year	7	(2)
(a) Wimmera Regional Library Corporation		
Background		
Council's investment in the Wimmera Regional Library Corporation is based on the equity method of accounting		
Fair value of Council's investment in Wimmera Regional Library Corporation	-	787
Council's interest in equity	0.00%	27.20%
Council's share of accumulated surplus		
Council's share of accumulated surplus at start of year	332	332
Change in equity share apportionment	(723)	4
Reported surplus for year	-	6
Transfers (to)/from reserves	391	(10)
Council's share of accumulated surplus at end of year	-	332
Council's share of reserves		
Council's share of reserves at start of year	454	439
Change in equity share apportionment	(63)	5
Transfers (to)/from reserves	(391)	10
Council's share of reserves at end of year	-	454
Movement in carrying value of specific investment		
Carrying value of investment at start of year	787	772
Change in equity share apportionment	-	9
Share of surplus for year	-	6
Withdrawal from WRLC	(787)	-
Carrying value of investment at end of year	-	787

Council withdrew from the Wimmera Regional Library Corporation effective from 30 June 2020 in accordance with the terms of the agreement signed with the library corporation. This decision was made on 01 April 2019.

Notes to the Financial Report
For the Year Ended 30 June 2020

	2020 \$'000	2019 \$'000
6.3 Investment in associates (cont.)		
(b) Wimmera Development Association		
<i>Background</i>		
Council's investment in the Wimmera Development Association is based on the equity method of accounting.		
Fair value of Council's investment in Wimmera Development Association	197	190
Council's interest in equity	20.17%	20.17%
Council's share of accumulated surplus		
Council's share of accumulated surplus at start of year	100	140
Reported surplus for year	7	(8)
Transfers (to)/from reserves	(14)	(32)
Council's share of accumulated surplus at end of year	93	100
Council's share of reserves		
Council's share of reserves at start of year	122	90
Transfers (to)/from reserves	14	32
Council's share of reserves at end of year	136	122
Movement in carrying value of specific investment		
Carrying value of investment at start of year	190	198
Share of surplus for year	7	(8)
Carrying value of investment at end of year	197	190

Note 7 People and relationships

7.1 Council and key management remuneration

(a) Related Parties

Parent entity

Northern Grampians Shire Council is the parent entity.

Associates

Interests in associates are detailed in note 6.3.

(b) Key Management Personnel

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

Councillors

Councillor Brian Emerson (Mayor - Nov 19 to present)
Councillor Kevin Erwin (Resigned - Mayor Nov 19)
Councillor Anthony Driscoll
Councillor Karen Hyslop
Councillor Merrilee Reid
Councillor Jason Hosemans
Councillor Rob Haswell

Key Management

Chief Executive Officer - Liana Thompson (Nov 19 to present)
Chief Executive Officer - Michael Bailey (resigned Sept 19)
Director Corporate Services - Vaughan Williams
Director Infrastructure - Trenton Fithall
Director Communities - Naomi Goode

Total Number of Councillors

Chief Executive Officer and other Key Management Personnel

Total Key Management Personnel

	2020	2019
	No.	No.
Total Number of Councillors	7	7
Chief Executive Officer and other Key Management Personnel	5	5
Total Key Management Personnel	12	12

(c) Remuneration of Key Management Personnel

Total remuneration of key management personnel was as follows:

Short-term benefits

948 1,029

Long-term benefits

21 23

Termination benefits

- 7

Post-employment benefits

86 98

Total

1,055 1,157

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

\$20,000 - \$29,999

5 5

\$30,000 - \$39,999

1 1

\$50,000 - \$59,999

1 1

\$110,000 - \$119,999

1 -

\$130,000 - \$139,999

1 -

\$140,000 - \$149,999

- 1

\$160,000 - \$169,999

- 1

\$170,000 - \$179,999

- 1

\$190,000 - \$199,999

- 1

\$200,000 - \$209,999

3 -

\$270,000 - \$279,999

- 1

12 12

7.1 Council and key management (cont)

(d) Senior Officer Remuneration

A Senior Officer is an officer of Council, other than Key Management Personnel, who:

- a) has management responsibilities and reports directly to the Chief Executive; or
- b) whose total annual remuneration exceeds \$151,000

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

Income Range:	2020 No.	2019 No.
\$70,000 - \$79,999	-	1
\$100,000 - \$109,999	-	1
\$130,000 - \$139,999	1	-
\$150,000 - \$159,999	-	1
\$170,000 - \$179,999	-	1
\$200,000 - \$209,999	-	1
	1	5
Total Remuneration for the reporting year for Senior Officers included above, amounted to	130	722

7.2 Related party disclosures

(a) Transactions with related parties

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

Council engaged the provision of catering services from Reid's Takeaway during the financial year. In total Council paid \$962 to this business. This is a related party entity of Councillor Merrillee Reid.

Council paid \$8,330 for goods and services from Exclusive Space Pty Ltd during the financial year. This is a related party entity of Councillor Robert Haswell.

(b) Loans to/from related parties

The aggregate amount of loans in existence at balance date that have been made, guaranteed or secured by the council to a related party on commercial terms as follows:

Council provided a community loan to Exclusive Space Pty Ltd in November 2015 in line with its Community Loan Policy. At 30 June 2020, total loan repayable to Council totalled \$36,376. The term of the loan is 5 years and repayments of this loan are made in line with the agreed loan schedule. This is a related party entity of Councillor Robert Haswell.

Note 8 Managing uncertainties

8.1 Contingent assets and liabilities

(a) Contingent liabilities

The Council is not presently involved in any matters which are expected to result in a liability for Council.

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

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

Council is a participant of the MAV Liability Mutual Insurance (LMI) Scheme. The LMI scheme provides public liability and professional indemnity insurance cover. The LMI scheme states that each participant will remain liable to make further contributions to the scheme in respect of any insurance year in which it was a participant to the extent of its participant's share of any shortfall in the provision set aside in respect of that insurance year, and such liability will continue whether or not the participant remains a participant in future insurance years.

(b) Contingent Assets

Council provided notice of withdrawal from the Wimmera Regional Library Corporation effective from 30 June 2020 in accordance with the terms of the agreement signed with the library corporation. Pursuant to the terms and conditions of the agreement, the Council expects to recover its investment in associate which principally comprises assets that will be returned. Council has recognised a current asset (accrued income) of \$169k due from the Library Corporation being Council's estimated share of net assets owing at balance date. The amount of \$169k is subject to approval by the Wimmera Regional Library Corporation Board and expected to be finalised by 30 September 2020. Further reference at note 6.3.

(c) Guarantees for loans to other entities

The Council has provided bank guarantees in favour of the Commonwealth Bank to secure debts. The liability is contingent upon the satisfactory completion of contracts involving the following organisations.

	2020 \$'000	2019 \$'000
Minister for Resources	50	50
Minister for Energy & Resources	110	110
Minister for Agriculture & Resources	6	6
	166	166

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.

8.2 Change in accounting standards

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

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

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

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

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

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

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

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

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

8.3 Financial Instruments

(a) Objectives and policies

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

(b) Market risk

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

Interest rate risk

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

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

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

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

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

(c) Credit risk

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

- council may require collateral where appropriate; and
- council only invest surplus funds with financial institutions which have a recognised credit rating specified in our investment policy.

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

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 we provide a guarantee for another party. Details of our contingent liabilities are disclosed in Note 8.1.

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.

8.3 Financial Instruments (cont)

(d) Liquidity risk

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

To help reduce these risks Council:

- have a long term financial plan which forecasts the cash and cash equivalent requirements over a long term period to be maintained;
- have readily accessible standby facilities and other funding arrangements in place;
- have an investment policy that requires surplus funds to be invested within various bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 8.1, and is deemed insignificant based on prior periods' data and current assessment of risk.

There has been no significant change in Council's exposure, or its objectives, policies and processes for managing liquidity risk or the methods used to measure this risk from the previous reporting period. With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 5.4.

(e) Sensitivity disclosure analysis

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

- A parallel shift of + 1% and -1% in market interest rates (AUD) from year-end rates of 1.5%.

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

8.4 Fair value measurement

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

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

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

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

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

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

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

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

Revaluation

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

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

In addition, Council undertakes an indexation revaluation on an annual basis of Building and Infrastructure assets where there has not been a revaluation in that year. The indexations are calculated using generally accepted industry methods and analysis of Council's most frequently used materials.

Council subsequently undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 5 to 10 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.

8.4 Fair value measurement (cont)

Impairment of assets

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

8.5 Events occurring after balance date

Since 30 June 2020, there has been a significant increase in COVID-19 cases in Victoria. This has resulted in the Victorian Government reintroducing increased measures to contain the spread of the virus, including travel restrictions, quarantines, curfews, social distancing, and closures of non-essential services. This has triggered significant disruptions to businesses throughout regional and rural Victoria, resulting in further economic slowdown. The Government has responded with additional financial interventions to stabilise the economy. Several of Council services have now been or continue to be impacted including Council's indoor/outdoor sporting facilities. Essential services continue to be provided.

While these events have impacted Council's financial performance, the overall effect is not considered material. The Council has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 30 June 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic remains unclear at this time. It is not possible to reliably estimate the duration and severity of the consequences, as well as their impact on the financial position and results of Northern Grampians Shire Council for future periods.

Council is not aware of any other after reporting date events.

Note 9 Other matters

9.1 Reserves	Balance at beginning of reporting period	Share of increment/ (decrement)	Balance at end of reporting period
(a) Asset revaluation reserves	\$'000	\$'000	\$'000
2020			
Property			
Land	6,619	-	6,619
Buildings	52,966	-	52,966
	59,585	-	59,585
Infrastructure			
Roads	169,919	11,816	181,735
Bridges	65,715	-	65,715
Footpaths and cycleways	6,306	557	6,863
Drainage	570	-	570
	242,510	12,373	254,883
	302,095	12,373	314,468
Other			
Investment in associates	19	-	19
	19	-	19
Total asset revaluation reserves	302,114	12,373	314,487
2019 - Restated *			
Property			
Land	6,619	-	6,619
Buildings	55,097	(2,131)	52,966
	61,716	(2,131)	59,585
Infrastructure			
Roads	168,867	1,052	169,919
Bridges	54,373	11,342	65,715
Footpaths and cycleways	6,585	(279)	6,306
Drainage	570	-	570
	230,395	12,115	242,510
	292,111	9,984	302,095
Other			
Investment in associates	19	-	19
	19	-	19
Total asset revaluation reserves	292,130	9,984	302,114

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

* See note 9.4 for information regarding a prior period adjustment

Note 9 Other matters (cont.)

	Balance at beginning of reporting period	Transfer to / (from) accumulated surplus	Balance at end of reporting period
(b) Other reserves	\$'000	\$'000	\$'000
2020			
Economic development	247	-	247
Gravel pits restoration	97	(40)	57
Community loans	(2)	42	40
Waste management	2,320	869	3,189
Long service leave	304	(15)	289
Defined benefits	300	-	300
Loan repayments	1,225	275	1,500
Total other reserves	4,491	1,131	5,622
2019			
Economic development	247	-	247
Gravel pits restoration	138	(41)	97
Community loans	(2)	-	(2)
Waste management	1,155	1,165	2,320
Long service leave	284	20	304
Defined benefits	300	-	300
Loan repayments	950	275	1,225
Total other reserves	3,072	1,419	4,491

Economic Development Reserve - Funds held for use in enhancing the economic development of our towns.

Gravel Pits Restoration - Provision of the established rehabilitation of gravel pits. No further provision will be added to this in the future.

Community Loans Reserve - Funds held for the restoration of shop front verandahs and other community benefits.

Waste Management - Funds held for the restoration of waste sites and bin replacement.

Long Service Leave Reserve - Funds held for employee long service leave.

Defined Benefits Reserve - Funds held for future calls on defined benefits superannuation.

Loan Repayments Reserve - Funds are being held for the future repayment of interest only loans

**Notes to the Financial Report
For the Year Ended 30 June 2020**

	2020 \$'000	2019 \$'000
9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus/(deficit) for the year	1,477	1,461
Depreciation	12,066	10,201
Amortisation - Right of Use Assets	105	-
Net loss on disposal of property, infrastructure, plant and equipment	1,553	2,819
Reversal of Provision	(45)	(46)
Share of (profit)/loss of associates	(7)	2
Finance costs (included in financing activities)	111	124
Finance Costs - Leases (included in financing activities)	3	-
Withdrawal from Investment in Associates	323	-
Other - WIP movements	24	21
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	70	(644)
(Increase)/decrease in other assets	418	(600)
Increase/(decrease) in trade and other payables	1,715	1,718
(Decrease)/increase in other liabilities	15	(117)
(Increase) in inventories	(17)	1
Increase/(Decrease) in provisions	(239)	173
Net cash provided by operating activities	17,572	15,113

9.3 Superannuation

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

Accumulation

The Fund's accumulation categories, Vision MySuper/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 2020, 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.

A triennial actuarial review is currently underway for the Defined Benefit category as at June 2020 and is expected to be completed by 31 December 2020.

As at 30 June 2019, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 107.1%. The financial assumptions used to calculate the VBIs were:

Net investment returns 6.0% pa
Salary information 3.5% pa
Price inflation (CPI) 2.0% pa

Vision Super has advised that the estimated VBI at 30 June 2020 was 104.6%. The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2019 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

9.3 Superannuation (cont.)

Employer Contributions

Regular Contributions

On the basis of the results of the 2017 full actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2020, this rate was 9.5% of members' salaries (9.5% in 2018/2019). This rate is expected to increase in line with any increases in the SG contribution rate and reviewed as part of the 30 June 2020 triennial valuation. 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 category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall. Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. If there is a surplus in the Fund, the surplus cannot be returned to the participating employers. In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

The 2019 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Council is a contributing employer. Generally, a full actuarial investigation conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2019 and the last full actuarial investigation was conducted as at 30 June 2017. The Fund's actuarial investigations identified the following for the Defined Benefit category of which Council is a contributing employer:

- A VBI surplus of \$151.3 million; and
- A total service liability surplus of \$233.4 million.
- A discounted accrued benefits surplus of \$256.7 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2019. The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2019. The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2019. Council was notified of the 30 June 2019 VBI during August 2019 (2018: August 2018).

2020 triennial actuarial investigation

A triennial actuarial investigation is being conducted for the Fund's position as at 30 June 2020. It is anticipated that this actuarial investigation will be completed by 31 December 2020. The financial assumptions for the purposes of this investigation are:

2020 Triennial investigation:

Net investment return	5.6% pa
Salary inflation	2.50% pa for the first two years and 2.75% pa thereafter
Price inflation	2.0% pa

9.4 Adjustment to prior period

Council has identified a number of material prior period adjustments. Council has adjusted comparative numbers for the adjustment and restated each of the affected financial statements for the 2020 financial year, as shown in the tables below. The adjustment has been applied as at 1 July 2018.

Recognition of road revaluation

During the 2019/20 financial year Council completed a fair value review of assets. The valuation input for sealed pavement road assets was amended to reflect the cost of supply of road construction material from Council's gravel pits. The previous valuation method relied on the valuation of road construction materials based on the unit price provided from third party contractors, itself being representative of an average sector derived rate.

Applying a more specific valuation input rate based on materials sourced from Council's gravel pits has resulted in the restatement of the fair value of road assets in the prior period as at 1 July 2018. The impact of this restatement is a reduction to the 2019 Year opening fair value of roads by \$61.138m and accumulated depreciation of \$6.732m with a resultant change in opening net assets of \$54.406m.

The valuation of sealed surface road assets was also amended to move away from applying a sector derived standard to instead reflect Council's specific practice of constructing two layers of road seal. The prior valuation recognised only one layer of road seal. The impact of this correction resulted in an addition to the 1 July 2018 opening balance comprising \$17.031m opening fair value for roads and an increase in accumulated depreciation of \$4.470m with a resultant change in opening net assets of an additional \$12.561m.

In addition, the restated 2019 opening balance also includes the impact of found and relinquished assets comprising \$3.313m fair value less \$0.747m accumulated depreciation that was not previously identified in the audited 2019 financial report. This resulted from the recognition of assets previously thought to be controlled by Grampians Wimmera Mallee Water and other long lived assets that were not recognised until brought to Council's attention via customer requests. A separate schedule, by asset class, is included in this disclosure note.

Restatement on the Balance Sheet

	Actual 2019 \$'000	Opening bal. Adjusted 2019 \$'000	Restated Actual 2019 \$'000
Non current assets			
Found & relinquished assets recognised	-	3,313	3,313
Found & relinquished assets acc dep	-	(747)	(747)
Road Assets - Restatement	-	(44,107)	(44,107)
Road Assets - Restatement acc dep	-	2,262	2,262
	<u>-</u>	<u>(39,279)</u>	<u>(39,279)</u>
Equity			
Accumulated Surplus	131,363	2,566	133,929
Reserves	348,450	(41,845)	306,605
Total equity	<u>479,813</u>	<u>(39,279)</u>	<u>440,534</u>

9.4 Adjustment to prior period (cont)

Restatement on the Statement of Changes in Equity

	Actual 2019 \$'000	Opening bal. Adjusted 2019 \$'000	Restated Actual 2019 \$'000
Accumulated Surplus	131,363	2,566	133,929
Revaluation Reserve	343,959	(41,845)	302,114
Other Reserves	4,491	-	4,491
Balance at opening of the financial year	479,813	(39,279)	440,534

Found & relinquished assets

	Current Cost \$'000	Accum. Depn \$'000	2019 WDV \$'000
<i>Details of found assets:</i>			
Buildings	25	(2)	23
Roads	959	(388)	571
Bridges	2,481	(284)	2,197
Footpath	450	(189)	261
Drainage	17	(6)	11
Total	3,932	(869)	3,063
<i>Details of relinquished assets:</i>			
Land	(234)	-	(234)
Buildings	(25)	14	(11)
Roads	(343)	100	(243)
Drainage	(8)	3	(5)
Open Spaces	(9)	5	(4)
Total	(619)	122	(497)
Total Found & relinquished assets	3,313	(747)	2,566

10 Change in accounting policy

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

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

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

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

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

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

b) AASB 16 Leases

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

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

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

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

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

10 Change in accounting policy (cont)

d) Transition impacts

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

	2019 \$'000
Retained earnings at 30 June 2019	-
Revenue adjustment - impact of <i>AASB 15</i>	-
Income Adjustment - impact of <i>AASB 1058</i>	-
Retained earnings at 1 July 2019	-

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

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

	As reported 30 June 2019 \$'000	Adjustments \$'000	Post adoption \$'000
Assets			
Right of use assets	-	314	314
	-	314	314
Liabilities			
Lease liability - current	-	113	113
Lease liability - non-current	-	201	201
	-	314	314

Northern Grampians Shire Council Performance Statement For the year ended 30 June 2020

Possessing some of the world's most spectacular natural scenery and a rich golden heritage, the Northern Grampians Shire has established an exceptional reputation as an ideal place to live, work and invest.

Location

Located in the picturesque Grampians region of Victoria, the shire covers almost 6,000 square kilometres and services the major towns and villages of Stawell, St Arnaud, Great Western, Halls Gap, Navarre, Glenorchy, Marnoo and Stuart Mill.

National Parks

The Grampians National Park is one of Victoria's most iconic holiday destinations, attracting more than 1.5 million visitors each year. Renowned for its breathtaking views and unspoilt nature, the area is a noted rock climbing destination, popular among campers and bushwalkers. Declared in 1884, the 168,000 hectare park is rich in Aboriginal culture, European heritage and stunning wildflower displays. It is also home to almost a third of the state's plant species and an abundance of wildlife.

The Kara Kara National Park spans 13,900 hectares of predominantly steep terrain and allows visitors to experience what the forests were like before the gold rushes. The park has one of the largest intact areas of Box-Ironbark vegetation and encompasses the former Kara Kara State Park and much of the St Arnaud Range State Forest.

Industry

The shire's economy is based on manufacturing, agriculture, tourism and wine production. The two main centres of Stawell and St Arnaud supply and service agricultural machinery and are home to industries including brick, steel fabrication and meat production.

QUICK STATS:

Area: Approximately 5,918 square kilometres

Population: Approximately 11,420

Road Length: 3,380km of local roads

Rateable Properties: 9,367

Industry: There are more than 2,200 businesses operating in the shire, with major activity based in the thriving tourism, manufacturing and agricultural industries.

Major Attractions: Stawell Easter Gift Festival, Grampians Grape Escape, Grampians Arts Trail, Grampians Wildflower Festival, Festival of St Arnaud, St Arnaud Country Music Festival, Great Western Rodeo, Stawell Gold Cup, St Arnaud Cup, Great Western Cup, Halls Gap Cup, Run the Gap, Stawell Gift Hall of Fame and Grampians National Park.

**Northern Grampians Shire Council
Sustainable Capacity Indicators
For the year ended 30 June 2020**

Indicator/measure	Result 2017	Result 2018	Result 2019	Result 2020	Material Variations
Own-source revenue <i>Own-source revenue per head of municipal</i> [Own-source revenue / Municipal population]	\$1,585	\$1,804	\$1,769	\$1,779	Minimal change due to limited capacity to improve revenue sources and constant population.
Recurrent grants <i>Recurrent grants per head of municipal</i> [Recurrent grants / Municipal population]	\$1,275	\$981	\$915	\$1,013	Increase due to lower than expected prior year result. This ratio is expected to remain constant each year due to limited recurrent grant opportunities plus a constant population.
Population <i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$2,912	\$3,465	\$3,311	\$3,380	Minimal change to unit cost due to limited capacity to increase service partly due to the impact of COVID-19.
<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$35,079	\$35,120	\$39,634 *	\$37,149	2019 prior year should be \$36,272 following a restatement (reduction) of the 2019 infrastructure amount due to the impact of asset devaluations. The 2020 result is therefore an increase on the 2019 restated result where this increase is due to the impact of current 2020 year asset revaluations (increase in the asset values).
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	3.3	3.4	3.4	3.4	Minimal change due to constant population and fixed road length.
Disadvantage <i>Relative socio-economic disadvantage</i> [Index of Relative Socio-economic Disadvantage by decile]	1	1	1	1	Minimal change due to constant demographic.
Workforce Turnover <i>Percentage of staff turnover</i> [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	10.0%	20.1%	22.9%	15.0%	Increase in appointments to Council and improvement in staff retention levels.

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 responsibility road authority under the *Road Management Act 2004*

"population" means the resident population estimated by council

"own-source revenue" means the 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 of Areas published from time to time by the Australian Bureau of Statistics on its Internet website

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

**Northern Grampians Shire Council
Service Performance Indicators
For the year ended 30 June 2020**

Service/indicator/measure	Result 2017	Result 2018	Result 2019	Result 2020	Material Variations
Governance Satisfaction <i>Satisfaction with council decisions</i> [Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]	44	47	51	50	Marginal decrease to the level of satisfaction.
Statutory Planning Decision making <i>Council planning decisions upheld at VCAT</i> [Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100	0.0%	0.0%	0.0%	0.0%	There were no VCAT decisions in relation to planning applications for the year
Roads Satisfaction <i>Satisfaction with sealed local roads</i> [Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]	54	48	53	50	Marginal decrease in satisfaction level to 50%.
Libraries Participation <i>Active library members</i> [Number of active library members / Municipal population] x100	15.4%	15.2%	14.0%	12.9%	Northern Grampians will directly manage the library operations from July 2020 with an aim to review the level of collection usage, due to the decrease of active library borrowers. Further reductions due to closure of libraries due to Covid-19 pandemic.
Waste Collection Waste diversion <i>Kerbside collection waste diverted from landfill</i> [Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100	31.9%	33.6%	33.6%	31.7%	Relatively constant percentage of waste diverted from landfill. Slight decrease likely to be impacted by COVID-19 with families remaining at home and generating additional waste products.
Aquatic Facilities Utilisation <i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	4.5	3.9	4.1	4.4	Increase in result due to combining the gymnasium and fitness centre with the aquatic facilities. Memberships to the facility now include access to both the gym and pool and the increase in admissions is reflective of this.
Animal Management Health and safety <i>Animal management prosecutions</i> [Number of successful animal management prosecutions]	0	0	0	0	No recorded prosecutions to date.
Food Safety Health and safety <i>Critical and major non-compliance notifications</i> [Number of critical non-compliance notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance notifications and major non-compliance notifications about a food premises] x100	100.0%	100.0%	100.0%	100.0%	

**Northern Grampians Shire Council
Service Performance Indicators
For the year ended 30 June 2020**

Service/indicator/measure	Result 2017	Result 2018	Result 2019	Result 2020	Material Variations
Maternal and Child Health (MCH) Participation					
<i>Participation in the MCH service</i> [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100	89.0%	90.7%	85.9%	84.0%	Consistent rate of participation to prior year.
<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	94.7%	83.3%	93.3%	89.4%	Marginal decrease in participation rate.

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

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

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

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

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

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

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

"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

"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

"population" means the resident population estimated by council

"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

"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

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

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

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

**Northern Grampians Shire Council
Financial Performance Indicators
For the year ended 30 June 2020**

Dimension/indicator/measure	Result 2017	Result 2018	Result 2019	Result 2020	Forecasts				Material Variations
					2021	2022	2023	2024	
Operating position									
Adjusted underlying result									
<i>Adjusted underlying surplus (or deficit)</i>	2.4%	-20.6%	-19.6%	-16.2%	-43.3%	-21.5%	-20.8%	-20.0%	Insufficient revenue base resulting in ongoing deficit's. This result reinforces the inability to fully fund infrastructure renewal demand, due to ongoing deficits.
[Adjusted underlying surplus (deficit) / Adjusted underlying revenue] x100									
Liquidity									
Working capital									
<i>Current assets compared to current liabilities</i>	301.0%	362.2%	368.0%	396.1%	167.2%	143.3%	145.4%	143.1%	Increase due to financial assistance grants received in advance and incomplete capital works program. Future years assumes capital program will be expended.
[Current assets / Current liabilities] x100									
Unrestricted cash									
<i>Unrestricted cash compared to current liabilities</i>	246.3%	268.0%	191.0%	235.1%	132.6%	103.8%	105.3%	102.8%	Increase due to financial assistance grants received in advance and incomplete capital works program. Future years assumes capital program will be expended.
[Unrestricted cash / Current liabilities] x100									
Obligations									
Loans and borrowings									
<i>Loans and borrowings compared to rates</i>	19.8%	17.5%	15.0%	13.5%	12.0%	5.8%	5.2%	5.2%	Ongoing reduction due to pay down of loan liability.
[Interest bearing loans and borrowings / Rate revenue] x100									
<i>Loans and borrowings repayments compared to rates</i>	2.7%	2.7%	2.6%	1.8%	1.8%	6.2%	0.7%	0.2%	Ongoing reduction due to pay down of loan liability.
[Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100									
Indebtedness									
<i>Non-current liabilities compared to own source revenue</i>	24.6%	15.1%	13.9%	16.7%	7.2%	7.3%	6.7%	6.2%	Slight increase in current year due to increase in unearned income liabilities.
[Non-current liabilities / Own source revenue] x100									
Asset renewal and upgrade									
<i>Asset renewal and upgrade compared to depreciation</i>	New 2020	New 2020	New 2020	75.1%	101.0%	90.8%	58.0%	61.5%	Insufficient revenue base to fully fund infrastructure renewal requirements.
[Asset renewal and asset upgrade expenses / Asset depreciation] x100									
<i>Asset renewal compared to depreciation</i>	35.5%	29.8%	55.4%	Retired 2020					This measure was replaced by O5 in 1 July 2019.
[Asset renewal expenses / Asset depreciation] x100									
Stability									
Rates concentration									
<i>Rates compared to adjusted underlying revenue</i>	48.1%	50.8%	55.1%	53.8%	66.6%	59.1%	59.3%	59.2%	This ratio reflects Council's reliance on its major income stream, rates and charges, that is relatively fixed over the course of the last four years.
[Rate revenue / Adjusted underlying revenue] x100									
Rates effort									
<i>Rates compared to property values</i>	0.79%	0.80%	0.66%	0.64%	0.57%	0.57%	0.56%	0.55%	Marginal reductions due to the static nature of property valuations.
[Rate revenue / Capital improved value of rateable properties in the municipality] x100									
Efficiency									
Expenditure level									
<i>Expenses per property assessment</i>	\$3,595	\$4,281	\$4,047	\$4,126	\$4,189	\$4,104	\$4,118	\$4,153	The result for 2020 is in the order of 2% increase compared to the prior 2019 financial year. This result is in line with the CPI cost increases.
[Total expenses / Number of property assessments]									
Revenue level									
<i>Average rate per property assessment</i>	New 2020	New 2020	New 2020	\$1,608	\$1,635	\$1,675	\$1,692	\$1,720	Average rates expected to increase in line with the rate cap.
[General rates and Municipal charges / Number of property assessments]									
<i>Average residential rate per residential property assessment</i>	\$1,566	\$1,641	\$1,778	Retired 2020					This measure was replaced by E4 from 1 July 2019.
[Residential rate revenue / Number of residential property assessments]									

Notes

"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

"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 is to be expended in a specific 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

"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

Northern Grampians Shire Council
Other Information
For the year ended 30 June 2020

Basis of preparation

Northern Grampians Shire 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 measure 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 results in the performance statement have been prepared on accounting bases consistent with those reporting in the Financial Statements. The results are based on information drawn from council information systems of from third parties (e.g. Australian Bureau of Statistics).

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

The forecast figures included in the performance statement are those adopted by council in its strategic resource plan on 10 August 2020 and which forms part of the council plan. The strategic resource plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The strategic resource plan can viewed on councils website www.ngshire.vic.gov.au.

Impact of COVID-19

While the COVID-19 pandemic has resulted in a loss of budgeted income to Council, any such financial impost has not adversely impacted the performance statement.

Where appropriate the performance statement includes separate commentary where there is a material change to individual performance measures. Any material change to a performance measure is mainly due to a loss of fee income relating to Council's sports / aquatic facilities, early learning centre plus a waiver to penalty interest relating to the payment of rates and statutory charges. This loss of income totals in the order of \$341k and was incurred from the declaration of the State of Emergency, 16 March 2020 to 30 June 2020. There was no material impact to expenditure for the purposes of determining Council's performance measures.

Northern Grampians Shire 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.

Malcolm Lewis, FCPA
Principal Accounting Officer
Dated:

In our opinion, the accompanying performance statement of the Northern Grampians Shire Council for the year ended 30 June 2020 presents fairly the results of council's performance in according 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 Murray Emerson
Councillor
Dated:

Cr Kevin Erwin
Councillor
Dated:

Liana Thompson
Chief Executive Officer
Dated:

4. Close

There being no further business the Mayor declared the meeting closed at 11.35am.

Confirmed

A handwritten signature in black ink, appearing to read 'CR Murray Emerson', written on a light-colored rectangular background.

CR MURRAY EMERSON
MAYOR

Date: 7 December 2020