

7

Financial report

Understanding the financial report **7-175**

Financial statements **7-179**

Performance statement **7-244**

Index **7-254**

Contents

Understanding the financial report

175

Financial statements

Certification of the financial report 180

Victorian Auditor-General's Office audit report 181

Comprehensive Income Statement 185

Balance Sheet 186

Statement of Changes in Equity 187

Statement of Cash Flows 188

Statement of Capital Works 189

Notes to the financial statements

Note 1 Performance against budget

1.1 Income and expenditure 191

1.2 Capital works 194

Note 2 Analysis of Council results by program

2.1 Description of Council programs 196

2.2 Summary of revenues, expenses and assets by program 198

Note 3 Funding for the delivery of our services

3.1 Rates and charges 199

3.2 Statutory fees and fines 199

3.3 User fees 200

3.4 Funding from other levels of government 201

3.5 Contributions 203

3.6 Net gain/(loss) on disposal of property, infrastructure, plant and equipment 203

3.7 Other income 203

Note 4 The cost of delivering services

4.1 Employee costs 204

4.2 Materials and services 205

4.3 Depreciation 205

4.4 Bad and doubtful debts 205

4.5 Borrowing costs 206

4.6 Other expenses 206

Note 5 Our financial position

5.1 Financial assets 207

5.2 Non-financial assets 209

5.3 Payables 210

5.4 Interest bearing liabilities 211

5.5 Provisions 212

5.6 Financing arrangements 213

5.7 Commitments 214

Note 6 Assets we manage

6.1 Property, infrastructure, plant and equipment 216

6.2 Investments in associates, joint ventures and subsidiaries 224

Note 7 People and relationships

7.1 Council and key management remuneration 226

7.2 Related party disclosure 228

Note 8 Managing uncertainties

8.1 Contingent assets and liabilities 229

8.2 Changes in accounting standards 230

8.3 Financial instruments 230

8.4 Fair value measurement 232

8.5 Events occurring after balance date 232

Note 9 Other matters

9.1 Reserves 233

9.2 Reconciliation of cash flows from operating activities to surplus/(deficit) 236

9.3 Superannuation 237

Glossary 239

Performance statement

Performance statement 244

Certification of the performance statement 253

Understanding the financial report

The financial report includes a General Purpose Financial Report and a Performance Statement for the Port Phillip City Council for the year ended 30 June 2019.

The report highlights Council's financial performance and overall position at the close of the 2018/19 financial year (30 June 2019) and is presented in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, the **Local Government Act 1989, Local Government (Finance and Reporting) Regulations 2004** and the **Local Government (Planning and Reporting) Regulations 2014**.

Introduction

This report has been prepared to assist readers' understanding of the Financial Report and to provide a summary of the circumstances and issues that have had a significant impact on information contained within those documents.

Council is a 'not for profit' organisation and a number of the generally recognised terms used in public company reports are not appropriate for Council.

As part of its commitment to accountability, the Council has developed this report to assist readers with their understanding of Council's financial information. A glossary has been included to further assist readers in understanding the financial report.

What is contained in the annual financial reports?

Council's Financial Report has two main sections: the Financial Statements and the accompanying notes.

There are five Financial Statements and 36 notes.

The five Financial Statements are the:

- Comprehensive Income Statement
- Balance Sheet
- Statement of Changes in Equity
- Statement of Cash Flows
- Statement of Capital Works.

The accompanying notes to the financial statements detail Council's accounting policies and the breakdown of values contained in the Statements.

The Financial Report is prepared by Council staff, reviewed by the Chief Financial Officer, reviewed by the Council's Audit and Risk Committee and then presented to the Auditor-General for audit.

Comprehensive income statement

The Comprehensive Income Statement is sometimes referred to as a 'Profit and Loss Statement' and presents:

- the sources of Council's **Income** under various income headings
- the **Expenses** incurred in running the Council during the year
- The **Other Comprehensive Income**, which typically includes non-cash items such as revaluation adjustments.

The key figure to look at is the surplus or (deficit) of Council for the year. This reflects Council's financial performance. The comprehensive surplus or (deficit) is equal to the movement in Council's net assets or total equity from the prior year. A positive result (no brackets) means that the revenue for the year is greater than the year's expenses.

Balance sheet

The Balance Sheet is a one page summary, presenting a snapshot of the financial position of Council as at 30 June. It shows what Council controls as Assets and what it owes as Liabilities. The 'bottom line' of this Statement is the Net Assets. This is the net value of Council, which has been built up over many years.

The assets and liabilities are separated into Current and Non-current. Current assets are realisable or convertible to cash within the next 12 months, while current liabilities are those which Council must pay or settle within the next 12 months.

The components of the Balance Sheet are described here.

Current and non-current assets

- **Cash and cash equivalents** includes cash and investments - that is, cash on hand, cash held in the bank, and cash investments maturing within three months
- **Trade and Other Receivables** are monies owed to Council for rates, parking, fines, GST refunds, home support, and other services provided by Council
- **Other Financial Assets** reference the value of Council's longer term financial investments (maturity greater than three months), such as bank bills, term deposits and floating rate notes, as well as the value of shares Council holds

- **Other assets** represents income due to Council, but not yet paid or billed, and prepayments which are expenses that have been paid in advance by Council

- **Investments in associates and joint ventures** includes Council's portion of post-acquisition profits or losses of arrangements in which they have either significant influence or joint control

- **Property, infrastructure, plant and equipment** are the largest components of Council's worth and represent the current value of land, buildings, roads, drainage, and equipment which have been purchased by, or contributed to, Council over many years. It also includes those assets which Council does not own, but has significant control over, and responsibility for, such as foreshore pavilions, parks and Crown land, and leased vehicles.

Current and non-current liabilities

- **Trade and Other Payables** are suppliers to whom Council owes money as at 30 June
- **Trust Funds and deposits** represent monies held in trust or deposits received and held by Council
- **Provisions** include long service and annual leave entitlements owing to employees at the end of the financial year
- **Interest Bearing Loans and Borrowings** are the borrowings (including finance leases) taken out by Council.

Net assets

This term is used to describe the difference between the value of Total Assets and the value of Total Liabilities. It represents the net value of Council as at 30 June. The net value of Council is also synonymous with Total Equity.

Total equity

Total equity always equals net assets. The components of Equity include:

- **Accumulated Surplus** - the profit or loss results of all financial years totalled and carried forward
- **Reserves** - comprise asset revaluation reserves, which are the difference between the previously recorded value of assets and their current valuations; and general reserves, which are allocations from the Accumulated Surplus for specific projects.

Statement of changes in equity

During the course of the year the value of Total Equity, as set out in the Balance Sheet, changes. This Statement shows the values of such changes and how these changes arose.

The main reasons for changes in equity stem from:

- the 'profit or loss' from operations, as described in the Statement of Comprehensive Income
- transfers to and from Council's reserves
- revaluation of assets.

Statement of cash flows

The Statement of Cash Flows summarises Council's cash payments and cash receipts for the year. The values differ from those shown in the Statement of Comprehensive Income due to the requirement to include GST (which is not a cost to Council as it is recovered from the ATO), and because it is prepared on a cash basis not an accrual basis.

Cash in this statement refers to bank deposits and other forms of highly liquid investments maturing within three months that can readily be converted to cash.

This statement provides the reader with an indication of Council's liquidity and its capacity to pay its debts and other liabilities. It also reflects Council's ability to fulfil its ongoing operating payment obligations, investment in community assets and ongoing financing transactions.

Council's cash arises from, and is used in, three main areas:

Operating activities

- **Receipts** All cash received into Council's bank account from ratepayers and others who owed money to Council. Receipts also include the interest earnings from Council's cash investments
- **Payments** All cash paid by Council from its bank account to staff, creditors and other persons. It does not include the costs associated with the creation of assets.

Investing activities

- Relates to payments for assets such as building improvements, footpaths and road renewals and other long term revenue-producing assets and the cash received from the sale of these assets. It also shows the movement in investments.

Financing activities

- This is where the receipt and repayment of borrowed funds are recorded.

Statement of capital works

The Statement of Capital Works expands on the payments Council has made for property, infrastructure, plant and equipment identified in the Statement of Cash Flow. It is prepared on a cash basis, not an accrual basis.

Council's capital works occurs in three main areas:

- **Property** relates to land and buildings. Improvements to existing assets are separately identified and heritage buildings are separated from other buildings
- **Plant and Equipment** comprises fixtures, fittings and furniture, computers and telecommunications, library books, heritage plant and equipment and other plant, machinery and equipment
- **Infrastructure** includes roads, bridges, footpaths and cycleways, drainage, recreational, leisure and community facilities, waste management, parks, open space and streetscapes, and off-street car parks.

Council's total capital works payments for the year is then also categorised into new, renewed, expanded or upgraded asset expenditure.

This statement reflects Council's investment in a broad spectrum of community assets. It also demonstrates whether the expenditure was made for new assets or modifications to existing assets.

Notes to the accounts

The notes are a very important and informative section of the report. They enable the reader to understand the basis upon which the values shown in the statements are established and are necessary to provide details of Council's accounting policies.

In addition to providing details of accounting policies, the notes also explain many of the summary figures contained in the statements. The note cross references are shown beside the relevant items in the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and the Statement of Capital Works.

Where Council wishes to disclose other information that cannot be incorporated into the statements, then this is shown in the notes.

Notes are grouped into the following categories:

- Performance against budget
- Analysis of Council results by program
- Funding for delivery of our services
- The cost of delivering services
- Our financial position
- Assets we manage
- People and relationships
- Managing uncertainties
- Other matters

The notes should be read together with the other parts of the Financial Statements to get a clear picture of the accounts.

Performance statement

The Performance Statement reports sustainable capacity performance, service performance and financial performance including forecast results for the next four years from the Strategic Resource Plan. It also includes a description of the municipal district, including its size, location and population, and has been prepared in accordance with the **Local Government Act 1989** and the **Local Government (Planning and Reporting) Regulations 2014**.

Statements by Principal Accounting Officer and Councillors

The Certification by the Principal Accounting Officer is a statement made by the person responsible for the financial management of the council that, in his opinion, the Financial Statements have met all the statutory and professional reporting requirements.

The certification by Councillors and the Chief Executive Officer is a statement made on behalf of the council that, in their opinion, the Financial Statements are fair and not misleading.

Auditor General's Report

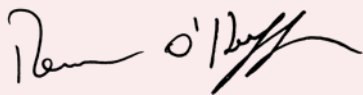
The Independent Audit Report is the external and independent opinion on the Financial Statements. The audit opinion confirms that the Financial Statements fairly present the results in all material respects of the council and comply with the statutory reporting requirements of the **Local Government Act 1989** and the **Local Government (Planning and Reporting) Regulations 2014**. A separate Independent Audit report is also provided on the Performance Statement, which confirms that it fairly presents in all material aspects the Council's performance in accordance with the statutory requirements of the **Local Government Act 1989** and the **Local Government (Planning and Reporting) Regulations 2014**.

Financial statements

For year ended 30 June 2019

Certification of the financial report

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.



Dennis O'Keeffe CA
Principal Accounting Officer

11 September 2019
St Kilda

In our opinion, the accompanying financial report presents fairly the financial transactions of the City of Port Phillip for the year ended 30 June 2019 and the financial position of the Council as at that date.

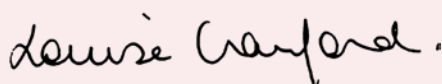
As at the date of signing, we are not aware of any circumstances which would render any particulars in the financial report to be misleading or inaccurate.

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.



Dick Gross
Mayor and Councillor
City of Port Phillip

11 September 2019
St Kilda



Louise Crawford
Deputy Mayor and Councillor

11 September 2019
St Kilda



Peter Smith
Chief Executive Officer

11 September 2019
St Kilda



Victorian Auditor-General's Office

Independent Auditor's Report

To the Councillors of the City of Port Phillip

Opinion	<p>I have audited the financial report of the City of Port Phillip (the council) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2019 • comprehensive income statement for the year then ended • statement of changes in equity for the year then ended • statement of cash flows for the year then ended • statement of capital works for the year then ended • notes to the financial statements, including significant accounting policies • certification of the financial statements. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the council as at 30 June 2019 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 6 of the <i>Local Government Act 1989</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Councillors' responsibilities for the financial report	<p>The Councillors of the council are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Local Government Act 1989</i>, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Councillors are responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the council's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Councillors
- conclude on the appropriateness of the Councillors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Councillors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
12 September 2019



Jonathan Kyvelidis
as delegate for the Auditor-General of Victoria



Victorian Auditor-General's Office

Independent Auditor's Report

To the Councillors of the City of Port Phillip

Opinion	<p>I have audited the accompanying performance statement of the City of Port Phillip (the council) which comprises the:</p> <ul style="list-style-type: none"> • description of municipality for the year ended 30 June 2019 • sustainable capacity indicators for the year ended 30 June 2019 • service performance indicators for the year ended 30 June 2019 • financial performance indicators for the year ended 30 June 2019 • other information • certification of the performance statement. <p>In my opinion, the performance statement presents fairly, in all material respects, the performance of the council for the year ended 30 June 2019, in accordance with the performance reporting requirements of Part 6 of the <i>Local Government Act 1989</i>.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Performance Statement</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the performance statement in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Councillors' responsibilities for the performance statement	<p>The Councillors of the council are responsible for the preparation and fair presentation of the performance statement in accordance with the performance reporting requirements of the <i>Local Government Act 1989</i>, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the statement of performance that is free from material misstatement, whether due to fraud or error.</p>
Auditor's responsibilities for the audit of the performance statement	<p>As required by the <i>Audit Act 1994</i>, my responsibility is to express an opinion on the performance statement based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the performance statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Standards on Assurance Engagements will always detect a material misstatement when it exists.</p>


Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of this performance statement.

As part of an audit in accordance with the Australian Standards on Assurance Engagements, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the performance statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the council's internal control
- evaluate the overall presentation, structure and content of the performance statement, including the disclosures, and whether the performance statement represents the underlying events and results in a manner that achieves fair presentation.

I communicate with the Councillors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
12 September 2019


Jonathan Kyvelidis
as delegate for the Auditor-General of Victoria

Comprehensive Income Statement

For the year ended 30 June 2019

		\$'000	
	Note	2019	2018
Income			
Rates and charges	3.1	125,324	121,120
Statutory fees and fines	3.2	22,147	22,948
User fees	3.3	38,881	35,657
Grants - operating	3.4	11,898	11,837
Grants - capital	3.4	4,146	3,873
Contributions - monetary	3.5	10,339	10,524
Contributions - non-monetary	3.5	243	222
Other income	3.7	18,078	17,443
Total income		231,056	223,624
Expenses			
Employee costs	4.1	91,648	87,928
Materials and services	4.2	83,594	75,739
Depreciation	4.3	25,740	23,417
Bad and doubtful debts	4.4	6,048	4,586
Borrowing costs	4.5	399	409
Other expenses	4.6	11,034	17,953
Net loss on disposal of property, infrastructure, plant and equipment	3.6	5,424	6,437
Share of net losses of associates and joint ventures	6.2	21	[15]
Total Expenses		223,908	216,454
Surplus/(Deficit) for the year		7,148	7,170
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	9.1	48,272	245,143
Total comprehensive result		55,420	252,313

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

Balance Sheet

As at 30 June 2019

	Note	2019	2018
Assets			
Current assets			
Cash and cash equivalents	5.1(a)	3,261	16,243
Trade and other receivables	5.1(c)	17,249	14,992
Other financial assets	5.1(b)	83,000	68,500
Other assets	5.2(a)	4,353	3,692
Total current assets		107,863	103,427
Non-current assets			
Trade and other receivables	5.1(c)	474	381
Other financial assets	5.1(b)	235	235
Investments in associates and joint ventures	6.2	326	347
Property, infrastructure, plant and equipment	6.1	3,197,775	3,145,046
Total non-current assets		3,198,810	3,146,009
Total assets		3,306,673	3,249,436
Liabilities			
Current liabilities			
Trade and other payables	5.3(a)	18,884	18,951
Trust funds and deposits	5.3(b)	7,086	5,508
Provisions	5.5	13,884	14,156
Interest-bearing liabilities	5.4	465	348
Total current liabilities		40,319	38,963
Non-current liabilities			
Provisions	5.5	2,370	2,525
Interest-bearing liabilities	5.4	8,443	7,827
Total non-current liabilities		10,813	10,352
Total liabilities		51,132	49,315
Net Assets		3,255,541	3,200,121
Equity			
Accumulated surplus		647,632	645,669
Reserves	9.1(b)	2,607,909	2,554,452
Total Equity		3,255,541	3,200,121

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

Statement of Changes in Equity

For the year ended 30 June 2019

			\$'000		
	Notes	Total	Accumulated Surplus	Revaluation Reserve	Other Reserves
2019					
Balance at beginning of the financial year		3,200,121	645,669	2,496,804	57,648
Surplus/(deficit) for the year		7,148	7,148	-	-
Net asset revaluation increment/(decrement)	9.1(a)	48,272	-	48,272	-
Transfers to other reserves	9.1(b)	-	(25,274)	-	25,274
Transfers from other reserves	9.1(b)	-	20,089	-	(20,089)
Balance at end of the financial year		3,255,541	647,632	2,545,076	62,833
2018					
Balance at beginning of the financial year		2,947,808	651,120	2,251,661	45,027
Surplus/(deficit) for the year		7,170	7,170	-	-
Net asset revaluation increment/(decrement)	9.1(a)	245,143	-	245,143	-
Transfers to other reserves	9.1(b)	-	(31,609)	-	31,609
Transfers from other reserves	9.1(b)	-	18,988	-	(18,988)
Balance at end of the financial year		3,200,121	645,669	2,496,804	57,648

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

Statement of Cash Flows

For the year ended 30 June 2019

		\$'000	
	Note	2019 Inflows / (outflows)	2018 Inflows / (outflows)
Cash flows from operating activities			
Rates and charges		125,201	120,316
Statutory fees and fines		16,634	17,495
User fees		41,554	35,252
Grants - operating		11,860	11,818
Grants - capital		4,146	3,873
Contributions - monetary		8,032	10,524
Interest received		1,863	1,811
Trust funds and deposits taken		55,357	53,233
Other receipts		13,631	14,848
Net GST refund		9,047	7,089
Employee costs		(92,394)	(90,155)
Materials and services		(94,562)	(81,396)
Trust funds and deposits repaid		(53,779)	(52,593)
Other payments		(9,610)	(18,134)
Net cash provided by/(used in) operating activities	9.2	36,980	33,981
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(34,842)	(24,236)
Proceeds from sale of property, infrastructure, plant and equipment		220	1,431
Payments for investments		(83,000)	(68,500)
Proceeds from sale of investments		68,500	66,500
Net cash provided by/(used in) investing activities		(49,122)	(24,805)
Cash flows from financing activities			
Finance costs		(399)	(408)
Repayment of borrowings		(441)	(583)
Net cash provided by/(used in) financing activities		(840)	(991)
Net (decrease) increase in cash and cash equivalents		(12,982)	8,185
Cash and cash equivalents at the beginning of the financial year		16,243	8,058
Cash and cash equivalents at the end of the financial year		3,261	16,243
Financing arrangements	5.6		
Restrictions on cash assets	5.1		

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

Statement of Capital Works

For the year ended 30 June 2019

	Note	2019	2018
Property			
Buildings		15,408	6,912
Heritage buildings		-	-
Building improvements		-	-
Total buildings		15,408	6,912
Total property		15,408	6,912
Plant and equipment			
Heritage plant and equipment		37	35
Plant, machinery and equipment		1,234	1,594
Fixtures, fittings and furniture		558	625
Computers and telecommunications		1,025	2,507
Library books		830	777
Total plant and equipment		3,684	5,538
Infrastructure			
Roads		1,899	2,235
Bridges		-	-
Footpaths and cycleways		2,201	2,648
Drainage		3,884	1,078
Parks, open space and streetscapes		6,248	4,667
Other infrastructure		1,510	1,182
Total infrastructure		15,742	11,810
Total capital works expenditure		34,834	24,260
Represented by			
New asset expenditure		4,226	2,839
Asset renewal expenditure		16,124	13,484
Asset expansion expenditure		2,901	1,038
Asset upgrade expenditure		11,583	6,899
Total capital works expenditure		34,834	24,260

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

Notes to the financial report

For the year ended 30 June 2019

Overview

Introduction

The City of Port Phillip was established by an Order of the Governor in Council on 22 June 1994 and is a body corporate. The Council's main office is located at 99a Carlisle Street, St Kilda.

Statement of compliance

These financial statements are a general purpose financial report that comprise 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 Australian Accounting Standards that have significant effects on the financial statements and estimates relate to:

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

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

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 the lower of 10 per cent or \$1 million where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 21 June 2018. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for revenue and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

1.1 Income and expenditure

	\$'000		%		
	Budget	Actual	Variance	Variance	Ref
Income					
Rates and charges	124,899	125,324	425	0.34 %	
Statutory fees and fines	23,956	22,147	(1,809)	-7.55 %	1
User fees	38,194	38,881	687	1.80 %	
Grants - operating	9,233	11,898	2,665	28.86 %	2
Grants - capital	3,573	4,146	573	16.05 %	3
Contributions - monetary	7,124	10,339	3,215	45.13 %	4
Contributions - non-monetary	-	243	243	0.00 %	
Other income	14,477	18,078	3,601	24.87 %	5
Total income	221,456	231,056	9,600	4.34 %	
Expenses					
Employee costs	95,582	91,648	3,934	4.12 %	6
Materials and services	83,036	83,594	(558)	-0.67 %	
Bad and doubtful debts	3,464	6,048	(2,584)	-74.60 %	7
Depreciation and amortisation	25,338	25,740	(402)	-1.59 %	
Borrowing costs	450	399	51	11.33 %	8
Other expenses	8,214	11,034	(2,820)	-34.33 %	9
Net loss on disposal of property, infrastructure, plant and equipment	4,335	5,424	(1,089)	-25.12 %	10
Share of net profits losses of associates and joint ventures	-	21	(21)	0.00 %	
Total expenses	220,419	223,908	(3,489)	-1.58%	
Surplus for the year	1,037	7,148	6,111	2.75%	

1.1 Income and Expenditure - Explanation of Material Variances

Ref	Item	Explanation
1	Statutory fees and fines	<p>The unfavourable variance of \$1.81 million is due to the following:</p> <ul style="list-style-type: none"> lower parking infringement notices income by \$1.26 million due to a number of factors included: 1) department vacancies, 2) Parking officers seconded to perform School Crossing to ensure community safety; 3) the implementation of the PayStay mobile phone payment option for paid parking resulted in greater parking compliance and lower parking infringements. the budget for cautioned parking infringement notices was included under provision for doubtful debt \$0.25 million. during the financial year the Council redirected offenders with multiple parking infringement notices to the Magistrate Court instead of Fines Victoria, which resulted in lower lodgement fees paid \$0.12 million.
2	Grants - operating	<p>The favourable variance of \$2.67 million is due to:</p> <ul style="list-style-type: none"> the early receipt of the 2019/20 Victorian Grants Commission instalments of \$1.39 million. a number of unbudgeted grants which totalled \$0.92 million were offset by expenditure in 2018/19 or over multiple financial years. \$0.28 million of growth related funding for Maternal Child Health and Aged services.
3	Grants - capital	<p>The unfavourable variance of \$0.57 million is mainly due to:</p> <ul style="list-style-type: none"> \$0.91 million of additional milestone claims in 2018/19 from the Victorian Government for the JL Murphy Reserve Pavilion upgrade and South Melbourne Life Saving Club Redevelopment projects. \$0.7 million of unbudgeted grants from the Victorian Government for a number of projects included EcoCentre redevelopment design, Acland Street CCTV and Public Space Security Improvements.. (\$0.64 million) Council did not receive the budgeted Commonwealth funding for the Blackspot Improvement program.
4	Contributions - monetary	<p>The favourable variance of \$3.22 million is due to higher than expected property development within the municipality, especially in the Sandridge, St Kilda Road, South Melbourne, St Kilda East and Elwood neighbourhoods.</p>
5	Other income	<p>The favourable variance of \$3.6 million is mainly due to:</p> <ul style="list-style-type: none"> recognising \$3.02 million for the market value of subsidised rent to community groups which is offset by increased other expenses. greater interest income due to greater cash balances throughout the year achieving above budget yield targets \$0.52 million.
6	Employee costs	<p>The favourable variance of \$3.93 million is mainly due to:</p> <ul style="list-style-type: none"> \$1.95 million of under-spend for the Customer Experience program under employee costs offset by an increase in material and services as a result of a delivery model change (engaged a delivery partner via tender process). \$0.87 million relates to the lower utilisation of Council managed long day child care centres. This was offset by lower user fees. \$1.1 million of enterprise vacancies and staff turnovers during the year resulted in under-spends.
7	Bad and doubtful debts	<p>The unfavourable variance of \$2.58 million is mainly due to system issues implemented by Fines Victoria which has caused an increase in outstanding debt.</p>

Ref	Item	Explanation
8	Borrowing costs	the minor favourable variance of \$0.05 million is mainly due to a lower number of fleet vehicles held under finance leases.
9	Other expenses	The unfavourable variance of \$2.82 million is mainly due to the recognition of the \$3.02 million market value of subsidised rent to community groups which is offset by increased other income.
10	Net loss on disposal of property, infrastructure, plant and equipment	The unfavourable variance of \$1.09 million is mainly due to the residual value written off for infrastructure assets upgraded in 2018/19.

1.2 Capital Works

	\$'000			%	
	Budget	Actual	Variance	Variance	Ref
Property					
Land	3,000	-	(3,000)	-100 %	1
Total land	3,000	-	(3,000)	-100 %	
Buildings	14,377	15,408	1,031	7 %	2
Total buildings	14,377	15,408	1,031	7 %	
Total property	17,377	15,408	(1,969)	-11 %	
Plant and equipment					
Heritage plant and equipment	30	37	7	23 %	3
Plant, machinery and equipment	2,193	1,234	(959)	-44 %	4
Fixtures, fittings and furniture	330	558	228	69 %	5
Computers and telecommunications	950	1,025	75	8 %	
Library books	835	830	(5)	-1 %	
Total plant and equipment	4,338	3,684	(654)	-15 %	
Infrastructure					
Roads	4,314	1,899	(2,415)	-56 %	6
Footpaths and cycleways	1,785	2,201	416	23 %	7
Drainage	4,315	3,884	(431)	-10 %	8
Parks, open space and streetscapes	10,561	6,248	(4,313)	-41 %	9
Other infrastructure	260	1,510	1,250	481 %	10
Total infrastructure	21,235	15,742	(5,493)	-26 %	
Total capital works expenditure	42,950	34,834	(8,116)	-19 %	
Represented by:					
New asset expenditure	8,456	4,226	(4,230)	-50 %	11
Asset renewal expenditure	19,623	16,124	(3,499)	-18 %	12
Asset expansion expenditure	2,983	2,901	(82)	-3 %	
Asset upgrade expenditure	11,888	11,583	(305)	-3 %	
Total capital works expenditure	42,950	34,834	(8,116)	-19 %	

1.2 Capital Works - Explanation of Material Variances

Ref	Item	Explanation
1	Land	Net under expenditure of \$3 million primarily due to deferral of Sustainability Hub to 2020/21.
2	Building	Net over expenditure of \$1.03 million primarily due to South Melbourne Life Saving Club expenditure aligning with project progress.
3	Heritage plant and equipment	Net over expenditure of \$0.01 million due to minor unbudgeted artwork purchase.
4	Plant, machinery and equipment	Net under expenditure of \$0.96 million is due to reclassification of Parking Technology Upgrades to Other Infrastructure.
5	Fixtures, fittings and furniture	Net over expenditure of \$0.228 million is due to the purchase of furniture and fittings, which are budgeted for in the building asset class part of the building project.
6	Roads	Net under expenditure of \$2.415 million largely due to; <ul style="list-style-type: none"> • Blackspot Program funding was not successful and resulted in reduced expenditure • Wellington Street Upgrade \$0.25 million delayed due to Vic Road issues with the design • reclassification of road capital budget to maintenance for line marking, traffic management, landscaping and demolition works \$1.2 million.
7	Footpaths and cycleways	Over expenditure of \$0.41 million, primarily due to components of several road projects and programs consisting of footpath works.
8	Drainage	Net under expenditure of \$0.431 million, due to the reclassification of costs for landscaping, demolition and works on non-council assets to operating expenses.
9	Parks, open space and streetscapes	Under expenditure of \$4.31 million, largely due to deferral of expenditure to 2019/20 for Elwood Playspace, Newton Court and Chipton Reserve upgrades.
10	Other infrastructure	Over expenditure of \$1.25 million due to reclassification of capital works from Plant, machinery and equipment (Parking Technology upgrades) and Parks, open space and streetscapes (Public Space Lighting renewal).
11	New asset expenditure	Under expenditure of \$4.23 million on asset expansion primarily due to the \$3 million deferral of Sustainability Hub expenditure to 2020/21 and the reclassification to maintenance expenditure for the Kirrip Park landscaping expenditure.
12	Asset renewal expenditure	Under expenditure of \$3.45 million due to the deferral of expenditure to 2019/20 for renewal projects including Chipton and Newton Court Reserve, J.L. Murphy Reserve Pavillion Upgrade and the reclassification to maintenance expenditure for Stormwater renewal, Carlo Catani Lava Rock wall and Northport Oval upgrade.

Note 2 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

2.1 Description of Council programs

Community and Economic Development

This division is responsible for delivering high quality community, economic development, cultural and creative services by:

- Promoting inclusion, participation, respect and access
- Creating healthy and liveable communities eg Fishermans Bend urban renewal program
- Facilitating independence and promoting social connectedness for older people and those with a disability through the provision of high quality support services
- Supporting Council in its celebration and advocacy of our diverse communities and delivering a suite of services, community development programs, and events to ensure an inclusive, accessible and connected community
- Understanding the changing community need and population growth in order to support healthy and liveable communities
- Building a dynamic and creative city and economy while honouring our cultural heritage
- Upholding Council's commitment to social justice with a focus on partnerships that support the City's most marginalised and at times vulnerable communities including those who are homeless or at risk of homelessness

- Supporting the design of safe and connected communities where the rights of all citizens are valued and respected - this includes Council's obligations in relation to promoting gender equity in a targeted response to reducing men's violence against women
- Driving a whole of Council commitment to reconciliation and improved outcomes for Aboriginal and Torres Strait Islander peoples
- Delivering upon Council's 20 year commitment to the Citizens of Suai and Covalima in East Timor
- All children, young people and families are healthy and connected to reach their full potential.

Customer and Corporate Services

This division enables an innovative high performance organisation that delivers best value to the growing community through:

- Ensuring the organisation has the alignment, assets, systems, tools, information, and support required to deliver best value to the community
- Promoting a culture and capability of value for money, whole of organisation (enterprise) thinking, continuous improvement and customer experience
- Ensuring the financial sustainability of the Council and effective management of organisational risk and compliance.

Infrastructure and Amenity

This division works with our community and other stakeholders to deliver a high standard of amenity and safety across our City by:

- Delivering clean, well maintained and improved streets, buildings, villages, beaches and public spaces
- Facilitating participation in sport and recreation
- Managing and improving our parks and open spaces
- Designing and building improved city facilities
- Delivering frontline services to ensure community safety and amenity such as health, parking, animal management, planning compliance and emergency management.

Office of the CEO

This division seeks to provide greater focus on the organisational strategy and performance of Council through:

- Council planning, risk, audit and Occupational Health and Safety
- Governance of Councils project portfolio
- Strategic partnerships and place management including markets
- Communications and engagement and governance.

City Strategy and Sustainable Development

This division seeks to enhance the liveability and sustainability of our places and precincts in an environment of growth and change through:

- Leading the Council Plan themes of transport and parking and waste and water
- Playing a key role in Fishermans Bend and statutory planning
- Leading the Council Plan themes of transport and parking, waste, environment and water
- Delivering statutory planning, building and local law permitting services that promote sustainable and safe development
- Ensuring a well-connected transport future for our city, connecting people and places, as well as protecting the safety of all road users
- Implementing education programs and services that reduce carbon emissions, water use and waste generation to ensure adaptive and resilient communities
- Excellent strategic planning and urban design that protects our neighbourhood character and meets the need of communities now and into the future.

2.2 Summary of revenues, expenses and assets by program

\$'000

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
2019					
Community and Economic Development	21,344	42,786	(21,442)	7,702	299,788
Customer and Corporate Services	137,255	61,867	75,388	2,715	281,147
Infrastructure and Amenity	49,856	89,740	(39,884)	5,601	2,629,726
Office of the CEO	7,941	15,599	(7,658)	-	48,341
City Strategy & Sustainable Development	14,660	13,916	744	26	47,671
	231,056	223,908	7,148	16,044	3,306,673
2018					
Community and Economic Development	21,236	43,081	(21,845)	7,759	297,641
Customer and Corporate Services	130,359	64,678	65,681	2,755	280,065
Infrastructure and Amenity	48,497	80,770	(32,273)	5,178	2,577,403
Office of the CEO	7,775	14,204	(6,429)	-	47,460
City Strategy and Sustainable Development	15,757	13,721	2,036	18	46,867
	223,624	216,454	7,170	15,710	3,249,436

Note 3 Funding for the delivery of our services

3.1 Rates and charges

Council uses Net Annual Value (NAV) as the basis of valuation for rating purposes of all properties within the municipal district. The NAV of a property is its imputed rental value.

The valuation base used to calculate general rates for 2018/2019 was \$3.576 billion (2017/2018 was \$3.035 billion). The 2018/2019 rate in the NAV dollar was \$0.034808 (2017/2018: \$0.039287).

	\$'000	
	2019	2018
General rates	123,965	119,365
Waste management charge	196	194
Special rates and charges	649	652
Special rates and charges applied	(649)	(652)
Supplementary rates and rate adjustments	750	1,156
Interest on rates and charges	413	405
Total rates and charges	125,324	121,120

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2019 and this valuation was applied to 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

	\$'000	
	2019	2018
Infringements and costs	1,091	1,018
Court recoveries	44	39
Town planning fees	1,579	1,810
Land information certificates	166	181
Permits	1,440	1,337
Parking fines and parking permits	17,827	18,563
Total statutory fees and fines	22,147	22,948

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

	\$'000	
	2019	2018
Aged and health services	528	537
Leisure centre and recreation	810	711
Child care/children's programs	10,280	9,730
Parking	18,844	17,090
Registration and other permits	5,886	5,089
Building services	745	585
Waste management services	278	262
Other fees and charges	1,510	1,653
Total user fees	38,881	35,657

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

3.4 Funding from other levels of government

Grants were received in respect of the following.

Summary of grants

	\$'000	
	2019	2018
Commonwealth funded grants	6,873	7,275
State funded grants	9,171	8,394
Total grants received	16,044	15,669

a) Operating Grants

Recurrent - Commonwealth Government		
Aged care	227	120
Community health	368	373
General home care	2,781	2,718
Recreation	93	90
Financial Assistance Grants	2,715	2,755
Recurrent - State Government		
Aged care	32	30
Community health	178	199
Environmental Planning	26	10
Family and children	764	769
General home care	1,065	1,047
Libraries	696	694
Maternal and child health	857	814
Other	802	793
Recreation	68	133
School crossing supervisors	133	125
Total recurrent operating grants	10,805	10,670
Non-recurrent - Commonwealth Government		
Family and children	94	40
Other	30	-
Non-recurrent - State Government		
Aged Care	-	2
Community health	488	408
Environmental planning	86	68
Family and children	58	41
Other	188	117
Recreation	149	491
Total non-recurrent operating grants	1,093	1,167
Total operating grants	11,898	11,837

b) Capital Grants

	\$'000	
	2019	2018
Recurrent - Commonwealth Government		
Roads to recovery	280	453
Total recurrent capital grants	280	453
Non-recurrent - Commonwealth Government		
Environmental Planning	-	80
Other	285	-
Roads	-	688
Non-recurrent - State Government		
Building	2,606	2,122
Footpaths and cycleways	-	100
Other	667	20
Parks and streetscapes	195	310
Plant and equipment	-	-
Roads	113	100
Total non-recurrent capital grants	3,866	3,420
Total capital grants	4,146	3,873

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

Balance at start of year	3,438	2,842
Received during the financial year and remained unspent at balance date	2,846	2,687
Received in prior years and spent during the financial year	(2,751)	(2,091)
Balance at year end	3,533	3,438

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

3.5 Contributions

	\$'000	
	2019	2018
Monetary	10,339	10,524
Non-monetary	243	222
Total contributions	10,582	10,746

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

Other infrastructure	208	170
Other	35	52
Total non-monetary contributions	243	222

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

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

	\$'000	
	2019	2018
Proceeds of sale	220	1,431
Written down value of assets disposed	(5,644)	(7,868)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	(5,424)	(6,437)

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

3.7 Other income

	\$'000	
	2019	2018
Interest	2,185	1,811
Property rental	6,940	4,825
Other rent	6,273	6,268
Other	2,680	4,539
Total other income	18,078	17,443

Interest is recognised as it is earned.

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

Note 4 The cost of delivering services

4.1 Employee costs

(a) Employee costs

	\$'000	
	2019	2018
Wages and salaries	63,384	62,256
WorkCover	945	883
Casual, temporary and agency staff	10,963	9,813
Superannuation	6,829	6,705
Fringe benefits tax	396	415
Annual and long service leave	7,871	7,510
Other	1,260	346
Total employee costs	91,648	87,928

(b) Superannuation

Council made contributions to the following funds:

	\$'000	
	2019	2018
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	368	385
	368	385
Employer contributions payable at reporting date.	0	24
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	5,005	5,554
Employer contributions - other funds	1,456	766
	6,461	6,320
Employer contributions payable at reporting date.	1	3

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

4.2 Materials and services

	\$'000	
	2019	2018
Consultants	12,759	7,827
Maintenance and construction contracts	11,571	10,991
Waste management contracts	11,170	9,603
Parks and gardens contract	9,196	8,982
Building and general maintenance	7,719	8,156
Parking administration contracts	5,590	5,697
Office administration	5,570	5,704
Family and community support contracts	4,396	3,853
Utilities	3,757	3,174
Cleaning contract	2,816	2,872
Information technology	2,767	2,496
Other contract payments	2,551	3,804
Security	2,022	1,275
Insurance	1,710	1,305
Total materials and services	83,594	75,739

4.3 Depreciation

	\$'000	
	2019	2018
Property	6,732	6,614
Plant and equipment	4,771	4,070
Infrastructure	14,237	12,733
Total depreciation	25,740	23,417

Refer to Note 6.1 for a more detailed breakdown of depreciation charges and accounting policy

4.4 Bad and doubtful debts

	\$'000	
	2019	2018
Parking fine debtors	5,771	4,563
Other debtors	277	23
Total bad and doubtful debts	6,048	4,586

Movement in provisions for doubtful debts		
Balance at the beginning of the year	14,515	12,013
New provisions recognised during the year	8,345	7,194
Amounts already provided for and written off as uncollectible	(1,346)	(2,084)
Amounts provided for but recovered during the year	(2,297)	(2,608)
Balance at end of year	19,217	14,515

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. The prior year provision for doubtful debts is recognised based on a credit event determined by collectability at that point in time.

4.5 Borrowing costs

	\$'000	
	2019	2018
Interest - borrowings	348	351
Interest on finance leases	51	58
Total borrowing costs	399	409

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.

4.6 Other expenses

	\$'000	
	2019	2018
Contributions and donations*	5,335	12,479
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	73	71
Auditors' remuneration - Internal	235	251
Councillors' allowances	375	368
Operating lease rentals	924	838
Bank charges	689	669
Catering costs	346	359
Subscriptions	500	525
Other	2,557	2,393
Total other expenses	11,034	17,953

* In October 2017 Council made a one off cash contribution of \$8.89 million to the Victorian Pride Centre Ltd for the construction of the Victorian Pride Centre, which will become a local space in St Kilda for the LGBTQI community.

Note 5 Our financial position

5.1 Financial assets

(a) Cash and cash equivalents

	\$'000	
	2019	2018
Cash on hand	20	19
Cash at bank	1,241	7,224
Term deposits	2,000	9,000
Total cash and cash equivalents	3,261	16,243

(b) Other financial assets

	\$'000	
	2019	2018
Current		
Term deposits	83,000	68,500
	83,000	68,500
Non-current		
Shares in Municipal Associations Purchasing Scheme (MAPS)	5	5
Shares in Regional Kitchen Group Pty Ltd	230	230
	235	235
Total other financial assets	83,235	68,735
Total financial assets	86,496	84,978

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))	7,086	5,508
Total restricted funds	7,086	5,508
Total unrestricted cash and cash equivalents*	(3,825)	10,735

* Council has liquid funds invested longer term disclosed as Other financial assets which, if taken into account, would show a positive balance for unrestricted cash and cash equivalents.

Intended allocations

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

	\$'000	
	2019	2018
- Statutory reserve balances (Note 9.1(b))	22,522	20,230
- Cash held to fund carried forward capital works	4,766	6,622
- Child Care Centre's infrastructure levy	5,360	5,177
- Tied grants	3,533	3,438
- Palais Theatre	2,699	2,049
- Sustainable transport	2,205	1,867
- In Our Backyard - Growing affordable housing in Port Phillip	2,000	1,500
- Middle Park Beach ongoing maintenance	1,280	1,243
- South Melbourne Life Saving Club	-	413
Total funds subject to intended allocations	44,365	42,539

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

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

(c) Trade and other receivables

	\$'000	
	2019	2018
Current		
Statutory receivables		
Rate debtors	3,374	3,251
Infringement debtors	24,554	20,212
Provision for doubtful debts - infringements	(18,749)	(14,191)
GST receivable	1,520	1,704
Non-statutory receivables		
Other debtors	7,018	4,340
Provision for doubtful debts - other debtors	(468)	(324)
Total current trade and other receivables	17,249	14,992
Non-current		
Other debtors	474	381
Total non current trade and other receivables	474	381
Total trade and other receivables	17,723	15,373

Short term receivables are carried at invoice amount. The 2018/19 provision for doubtful debts is recognised following an assessment of historic defaults and future conditions in order to determine expected credit losses. The 2017/18 provision for doubtful debts is determined where there is a credit event or evidence that an impairment has occurred. 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 and other receivables (excluding statutory receivables) that are not impaired was:

	\$'000	
	2019	2018
Current (not yet due)	4,087	2,331
Past due by up to 30 days	430	422
Past due between 31 and 180 days	102	203
Past due between 181 and 365 days	74	33
Past due by more than one year	490	71
Total trade and other receivables	5,183	3,060

e) Ageing of individually impaired Receivables

At balance date, other debtors representing financial assets with a nominal value of 2,309,000 (2018: \$1,280,000) were impaired. The amount of the provision raised against these debtors was 468,000 (2018: \$324,000). They individually have been impaired as a result of their doubtful collection.

Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

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

	\$'000	
	2019	2018
Current (not yet due)	1,538	674
Past due by up to 30 days	422	225
Past due between 31 and 180 days	123	256
Past due between 181 and 365 days	136	50
Past due by more than one year	90	75
Total trade and other receivables	2,309	1,280

5.2 Non-financial assets**(a) Other assets**

	\$'000	
	2019	2018
Prepayments	2,940	2,958
Accrued income	1,413	734
Total other assets	4,353	3,692

5.3 Payables**a) Trade and other payables**

	\$'000	
	2019	2018
Trade payables	14,881	14,790
Accrued expenses	4,003	4,161
Total trade and other payables	18,884	18,951

b) Trust funds and deposits

	\$'000	
	2019	2018
Refundable deposits	657	573
Fire Services Levy	620	646
Other refundable deposits	5,809	4,289
Total trust funds and deposits	7,086	5,508

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

Purpose and nature of items

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

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

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

5.4 Interest-bearing liabilities

	\$'000	
	2019	2018
Current		
Finance leases	465	348
	465	348
Non current		
Borrowings- secured (1)	7,500	7,500
Finance leases	943	327
	8,443	7,827
Total	8,908	8,175

(1) Borrowings are secured by Council rate income

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

Not later than one year	-	-
Later than one year and not later than five years	7,500	7,500
Later than five years	-	-
	7,500	7,500

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.

b) The maturity profile for Council's finance lease liabilities is:

Not later than one year	465	376
Later than one year and not later than five years	936	343
Later than five years	7	-
Minimum future lease payments	1,408	719
Less: Future finance charges	(124)	(44)
Present value of minimum lease payments	1,284	675

Finance leases

Council entered into lease agreements for street and beach cleaning equipment. Council's right to use the assets in the leases are accounted for as finance lease liabilities and are disclosed in the table above.

Contingent rent payable is based on the rental value agreed upon between the Council and the lessor and is invoiced on a monthly basis by the lessor. The lease agreements have been made on the basis that lease terms can be amended between Council and the lessor throughout the term of the lease based on mutual acceptance by both parties. The Council has the contractual right to acquire leased vehicles at the end of the lease term based on an agreed upon residual value. The Council does not have any financial restrictions imposed by their current leasing arrangements.

5.5 Provisions

a) Employee Provisions

	\$'000	
	2019	2018
Balance at beginning of the financial year	16,341	15,948
Additional provisions	8,650	8,492
Amounts used	(8,721)	(7,867)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(16)	(232)
Balance at the end of the financial year	16,254	16,341
Current provisions expected to be wholly settled within 12 months		
Annual leave	3,924	3,973
Long service leave	7,664	7,505
Retirement gratuity	13	16
Other	296	288
	11,897	11,782
Current provisions expected to be wholly settled after 12 months		
Annual leave	1,868	1,891
Retirement gratuity	119	143
	1,987	2,034
Total current employee provisions	13,884	13,816
Non-current		
Long service leave	2,370	2,525
Total non-current employee provisions	2,370	2,525
Aggregate carrying amount of employee benefits		
Current	13,884	13,816
Non-current	2,370	2,525
Total aggregate carrying amount of employee provisions	16,254	16,341

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

Wages and salaries, and annual leave

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

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

Long service leave

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

	\$'000	
	2019	2018
Key assumptions		
- discount rate	2.73 %	2.65 %
- inflation	2.43 %	2.37 %
- settlement	1770 %	1243 %

b) Other Provisions

	\$'000	
	2019	2018
Provision for site remediation 2-4 Buckhurst Street	-	340
	-	340
Total provisions	16,254	16,681

5.6 Financing arrangements

The Council has the following funding arrangements in place as at 30 June 2019.

	\$'000	
	2019	2018
Bank overdraft	1,500	1,500
Credit card facilities	167	167
Purchasing card facilities	2,000	2,000
Other facilities - LGFV Municipal Bond	7,500	7,500
Total facilities	11,167	11,167
Used facilities	7,519	7,528
Unused facilities	3,648	3,639

5.7 Commitments

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

	\$'000	\$'000	\$'000	\$'000	\$'000
	Not later than one year	Later than one year and not later than two years	Later than two years and not later than five years	Later than five years	Total
2019					
Operating					
Open space management	27,385	22,323	5,071	-	54,779
Building maintenance	9,371	8,859	718	-	18,948
Garbage collection and recycling	9,037	5,073	24	-	14,134
Consultancies	7,258	4,924	433	-	12,615
Community Services	4,538	2,234	1,152	-	7,924
Computers and technology	4,373	3,171	6,314	9,976	23,834
Operational services	2,803	706	169	-	3,678
Cleaning contracts for council buildings	1,113	-	-	-	1,113
Total	65,878	47,290	13,881	9,976	137,025
Capital					
Buildings	3,282	-	-	-	3,282
Parks, open spaces and streetscapes	2,310	-	-	-	2,310
Total	5,592	-	-	-	5,592
Total	71,470	47,290	13,881	9,976	142,617
2018					
Operating					
Open space management	1,738	-	-	-	1,738
Building maintenance	11,708	11,609	9,380	-	32,697
Garbage collection and recycling	8,613	8,513	4,900	-	22,026
Consultancies	2,335	489	815	-	3,639
Community Services	5,158	174	76	-	5,408
Computers and technology	1,987	400	228	-	2,615
Operational services	4,144	23	11	-	4,178
Cleaning contracts for council buildings	1,462	975	-	-	2,437
Total	37,145	22,183	15,410	-	74,738
Capital					
Buildings	7,613	-	-	-	7,613
Parks, open spaces and streetscapes	1,586	-	-	-	1,586
Total	9,199	-	-	-	9,199
Total	46,344	22,183	15,410	-	83,937

C13 Developer Contributions Scheme

In 1998 the C13 Developer Contribution Scheme was signed off by Council to facilitate streetscape works to the value of \$8.082 million for works in Port Melbourne over a 20 year period commencing in the year 2000 to 2020.

A recent audit of the works outstanding identified a list of items remaining to finalise the streetscape works, with a total value of \$124,000.

	\$'000	
	2019	2018
Value of works outstanding at 1 July	2,902	2,896
Adjustment to works outstanding	(2,648)	-
Works completed	(130)	(65)
	124	2,831
CPI adjustment (included in future works 2019/20)	-	71
Value of works outstanding at 30 June	124	2,902

Operating lease commitments

At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities. These obligations are not recognised as liabilities.

	\$'000	
	2019	2018
Not later than one year	519	554
Later than one year and not later than five years	145	417
Later than five years	5	3
	669	974

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

Note 6 Assets we manage

6.1 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

								\$'000
	At Fair Value 30 June 2018	Additions	Contributions	Revaluation	Depreciation	Disposal	Transfers	At Fair Value 30 June 2019
Land	2,520,246	-	-	(32,346)	-	(1,900)	-	2,486,000
Buildings	209,245	7,209	-	15,761	(6,732)	(1,329)	3,304	227,458
Infrastructure	378,130	11,047	208	60,966	(14,237)	(2,126)	3,048	437,036
Plant and Equipment	28,957	4,853	35	3,891	(4,771)	(289)	76	32,752
Work in progress	8,468	12,907	-	-	-	-	(6,846)	14,529
	3,145,046	36,016	243	48,272	(25,740)	(5,644)	(418)	3,197,775

Summary of work in progress

	\$'000				
	Opening WIP	Additions	Transfers	Write-offs	Closing WIP
Buildings	4,106	8,645	(3,304)	(6)	9,441
Infrastructure	4,287	4,253	(3,048)	(410)	5,082
Plant and equipment	75	9	(76)	(2)	6
Total	8,468	12,907	(6,428)	(418)	14,529

a) Property

	\$'000		
	Land - specialised	Buildings - specialised	Total Property
At fair value 1 July 2018	2,520,246	383,263	2,903,509
Accumulated depreciation at 1 July 2018	-	(174,018)	(174,018)
WDV at beginning of financial year	2,520,246	209,245	2,729,491
Movements in fair value			
Additions	-	7,209	7,209
Revaluation increments/decrements	(32,346)	51,318	18,972
Disposal	(1,900)	(1,934)	(3,834)
Write-off	-	-	-
Transfers	-	3,304	3,304
Non-current assets classified as held for sale	-	-	-
	(34,246)	59,897	25,651
Movements in accumulated depreciation			
Depreciation and amortisation	-	(6,732)	(6,732)
Accumulated depreciation of disposals	-	605	605
Revaluation increments/decrements	-	(35,557)	(35,557)
Non-current assets classified as held for sale	-	-	-
	-	(41,684)	(41,684)
At fair value 30 June 2019	2,486,000	443,160	2,929,160
Accumulated depreciation at 30 June 2019	-	(215,702)	(215,702)
WDV at end of financial year	2,486,000	227,458	2,713,458

Note - all land and buildings are considered specialised by their nature.

b) Plant and equipment

\$'000

	Heritage plant and equipment	Plant, machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Library books	Total plant and equipment	Total works in progress
At fair value 1 July 2018	17,169	10,065	4,594	10,206	10,871	52,905	8,468
Accumulated depreciation at 1 July 2018	(333)	(5,816)	(3,246)	(5,962)	(8,591)	(23,948)	-
WDV at beginning of financial year	16,836	4,249	1,348	4,244	2,280	28,957	8,468
Movements in fair value							
Additions	28	1,233	558	1,025	830	3,674	12,907
Contributions	35	-	-	-	-	35	-
Revaluation increments/decrements	3,386	-	-	-	-	3,386	-
Disposal	-	(758)	(1,514)	(4,131)	-	(6,403)	-
Write-off	-	-	-	-	-	-	(418)
Transfers	-	76	-	-	-	76	(6,428)
Finance lease addition	-	1,179	-	-	-	1,179	-
	3,449	1,730	(956)	(3,106)	830	1,947	6,061
Movements in accumulated depreciation							
Depreciation and amortisation	(172)	(1,925)	(444)	(1,444)	(786)	(4,771)	-
Accumulated depreciation of disposals	-	606	1,471	4,037	-	6,114	-
Revaluation increments/decrements	505	-	-	-	-	505	-
	333	(1,319)	1,027	2,593	(786)	1,848	-
At fair value 30 June 2019	20,618	11,795	3,638	7,100	11,701	54,852	14,529
Accumulated depreciation at 30 June 2019	-	(7,135)	(2,219)	(3,369)	(9,377)	(22,100)	-
WDV at end of financial year	20,618	4,660	1,419	3,731	2,324	32,752	14,529

c) Infrastructure

\$'000

	Roads	Bridges	Footpaths and cycleways	Drainage	Parks, open spaces and streetscapes	Off street car parks	Other Infrastructure	Total Infrastructure
At fair value 1 July 2018	257,242	4,429	130,017	124,988	97,401	9,794	15,517	639,388
Accumulated depreciation at 1 July 2018	(111,775)	(2,576)	(53,248)	(49,080)	(35,506)	(2,694)	(6,379)	(261,258)
WDV at beginning of financial year	145,467	1,853	76,769	75,908	61,895	7,100	9,138	378,130
Movements in fair value								
Additions	1,812	-	2,172	1,370	4,800	-	893	11,047
Contributions	89	-	60	9	-	-	50	208
Revaluation increments/decrements	2,379	202	(9,190)	-	-	53	655	(5,901)
Disposal	(602)	-	(794)	(574)	(1,862)	(53)	(237)	(4,122)
Write-off	-	-	-	-	-	-	-	-
Transfers	6	-	782	-	1,806	-	454	3,048
	3,684	202	(6,970)	805	4,744	-	1,815	4,280
Movements in accumulated depreciation								
Depreciation and amortisation	(4,088)	(45)	(3,027)	(865)	(5,221)	(136)	(855)	(14,237)
Accumulated depreciation of disposals	365	-	346	178	958	9	140	1,996
Revaluation increments/decrements	60,507	(85)	5,755	-	-	1,088	(398)	66,867
	56,784	(130)	3,074	(687)	(4,263)	961	(1,113)	54,626
At fair value 30 June 2019	260,926	4,631	123,047	125,793	102,145	9,794	17,332	643,668
Accumulated depreciation at 30 June 2019	(54,991)	(2,706)	(50,174)	(49,767)	(39,769)	(1,733)	(7,492)	(206,632)
WDV at end of financial year	205,935	1,925	72,873	76,026	62,376	8,061	9,840	437,036

Acquisition

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

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

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

Asset recognition thresholds and depreciation periods

	Depreciation period	Threshold limit
Land and land improvements		
land	-	All
land improvements	10 - 100 years	\$5,000
Buildings		
heritage buildings	100 years	\$5,000
buildings	25 - 100 years	\$5,000
building improvements	100 years	\$5,000
Plant and equipment		
heritage plant and equipment	100 years	\$2,000
plant, machinery and equipment	4 - 7 years	\$2,000
fixtures, fittings and furniture	5 years	\$2,000
computers and telecommunications	3 - 6 years	\$2,000
library books	5 years	All
motor vehicles	5 years	All
Infrastructure		
road pavements and seals	18 - 30 years	\$5,000
road substructure	100 years	\$5,000
road formation and earthworks	250 years	\$5,000
road kerb, channel and minor culverts and other	50 years	\$5,000
bridges deck	20 - 80 years	\$5,000
bridges substructure	40 - 100 years	\$5,000
footpaths and cycleways	40 - 50 years	\$5,000
drainage	150 years	\$5,000
recreational, leisure and community facilities	10 - 100 years	\$5,000
waste management	10 years	\$5,000
parks, open space and streetscapes	10 - 100 years	\$5,000
off street carparks	100 years	\$5,000

Depreciation and amortisation

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

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

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

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

Finance leases

Leases of assets where substantially all the risks and rewards incidental to ownership of the asset are transferred to the Council are classified as finance leases. Finance leases are capitalised, recording an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments, including any guaranteed residual value. Lease payments are allocated between the reduction of the lease liability and the interest expense. Leased assets are depreciated on a straight line basis over their estimated useful lives to the Council where it is likely that the Council will obtain ownership of the asset or over the term of the lease, whichever is the shorter. Leased assets are currently being amortised over a four to seven year period.

Repairs and maintenance

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

Valuation of land and buildings

Valuation of land and buildings were undertaken by a qualified independent valuer, Frank Carbone AAPI (Val 1764). The valuation of buildings is a depreciated replacement cost. The valuation of land 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 is detailed in the following table.

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

	\$'000			
	Level 1	Level 2	Level 3	DoV
Specialised land	-	-	2,486,000	June 19
Buildings	-	-	227,458	June 19
	-	-	2,713,458	

Valuation of land under roads

Council does not recognise land under roads that it controlled prior to 30 June 2008 in its financial report. From 1 July 2008, Council recognises any material land under roads that comes in Council's control within the financial report at fair value.

Valuation of infrastructure

Valuation of infrastructure assets has been determined in accordance with a valuation undertaken by Mr Mohamed El-Saafin ME (Civil).

The date of the current valuations 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 2019 are as follows:

	\$'000			
	Level 1	Level 2	Level 3	DoV
Roads	-	-	205,935	June 19
Bridges	-	-	1,925	June 19
Footpaths and cycleways	-	-	72,873	June 19
Drainage	-	-	76,026	June 17
Parks, open spaces and streetscapes	-	-	62,376	June 18
Off street carparks	-	-	8,061	June 19
Other infrastructure*	-	-	9,840	June 19
	-	-	437,036	

* Other infrastructure includes street furniture.

Valuation of heritage and works of art

Valuation of Heritage assets and works of art are undertaken by qualified independent valuers. The valuation is at market value based on current market prices for similar types of assets based on use, type and condition.

Heritage and works of art valuations as at 30 June 2019 were performed by the following independent valuers:

- **Australian Art Valuers** - contemporary, visual, historical and public art;
- **Sainsbury Books** - heritage photographs; and
- **Leonard Joel** - historical items, artworks, monuments and memorials, mayoral robes, chains and other attire.

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

	\$'000			
	Level 1	Level 2	Level 3	DoV
Heritage and works of art	-	-	20,618	June 19

Description of significant unobservable inputs into level 3 valuations

Specialised land

Specialised land is valued using a replacement cost 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 10 per cent and 90 per cent. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$1,800 and \$7,400 per square metre.

Specialised buildings

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$600 to \$14,000 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from two years to 98 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 10 years to 250 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

Reconciliation of specialised land

	\$'000	
	2019	2018
Parks and reserves	1,956,036	1,978,444
Commercial	201,774	206,849
Community	214,703	215,298
Council office land	113,487	119,655
Total specialised land	2,486,000	2,520,246

6.2 Investments in associates, joint ventures and subsidiaries**Joint Arrangement - Joint Venture**

Interests in joint ventures accounted for by the equity method are:

Joint Venture - Albert Park Hockey and Tennis Centre

In 1997 Council entered into a Joint Venture agreement with Wesley College, St Kilda Road, Prahran for the maintenance and operation of the Albert Park Hockey and Tennis Centre. The Centre is located in Hockey Drive, St Kilda a part of the Albert Park Reserve and is the subject of a tenancy from the landlord Parks Victoria. The initial lease expired on 15 November 2017. At the time of preparing this Annual Report, Parliament had approved a new 21 year lease, Parks Victoria and Wesley College had signed the lease and Council had committed to signing the lease at the earliest opportunity.

The objective of the Joint Venture is to provide, manage and maintain the Albert Park Hockey and Tennis Centre for use by sporting clubs, schools and residents of Port Phillip municipality and the students of Wesley College. The expired Joint Venture Agreement provided for a Management Committee with 50 per cent representation and 50 per cent voting power for each of the Joint Venture parties with decisions being made by a majority vote. It also provided for each party to be paid half of any profit each year or in the case of a loss, each party was to contribute half of the loss to the Joint Venture. The draft new Joint Venture Agreement which both parties have committed to signing, has the same provisions as the former agreement being joint control, equal share of risks and rewards and equal share of net assets.

The Joint Venture reporting period has historically been for the 12 months to 31 March each year and this is not expected to change under the new Joint Venture Agreement.

Council has been provided with draft audited Joint Venture financial statements for the 12 months ended 31 March 2019 and Council's carrying value in the joint venture investment represents a 50 per cent share of the net assets and liabilities of the Albert Park Hockey & Tennis Centre as at 31 March 2019.

	\$'000	
	2019	2018
Fair value of Council's investment in Albert Park Hockey and Tennis Centre	326	347
Council's share of accumulated surplus/(deficit)		
Council's share of accumulated surplus(deficit) at start of year	347	332
Reported surplus(deficit) for year	(21)	15
Transfers (to) from reserves	-	-
Distributions for the year	-	-
Council's share of accumulated surplus(deficit) at end of year	326	347
Movement in carrying value of specific investment		
Carrying value of investment at start of year	347	332
Share of surplus(deficit) for year	(21)	15
Share of asset revaluation	-	-
Distributions received	-	-
Carrying value of investment at end of year	326	347
Council's share of expenditure commitments		
Operating commitments	3	3
Capital commitments	12	12
Council's share of expenditure commitments	15	15
Council's share of contingent liabilities and contingent assets	nil	nil
Significant restrictions	nil	nil

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

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

For joint operations, Council recognises its direct right to, and its share of jointly held assets, liabilities, revenues and expenses of joint operations.

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

Committees of management

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

Principles of consolidation

An assessment by management has determined that there are no consolidated entities for the 30 June 2019 reporting period.

Note 7 People and relationships

7.1 Council and key management remuneration

a) Related Parties

Parent entity - City of Port Phillip is the parent entity

Subsidiaries and Associates - Interests in subsidiaries and associates are detailed in Note 6.2.

b) Key Management Personnel

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

Councillors

Councillor Dick Gross (Mayor from 28 November 2018)

Councillor Bernadene Voss (Mayor to 27 November 2018)

Councillor Andrew Bond

Councillor Katherine Copsey

Councillor Tim Baxter

Councillor Louise Crawford

Councillor Marcus Pearl

Councillor Ogy Simic

Councillor David Brand

Other

Chief Executive Officer **Peter Smith**

Director Office of the CEO **Kylie Bennetts**

General Manager Customer and Corporate Services **Chris Carroll**

General Manager Infrastructure and Amenity **Fiona Blair**

General Manager Community and Economic Development
(to 7 September 2018) **Carol Jeffs**

General Manager Community and Economic Development
(from 22 October 2018) **Tony Keenan**

General Manager Community and Economic Development
(from 10 September to 31 October 2018*) **Mary McGorry**

General Manager City Strategy and
Sustainable Development **Lili Rosic**

Chief Financial Officer **Dennis O'Keeffe**

	2019	2018
Total number of Councillors	9	9
Total of Chief Executive Officer and other Key Management Personnel	9	8
Total Number of Key Management Personnel	18	17

* Overlap in General Manager Community and Economic Development from 24 October to 31 October 2018 due to staff transition.

c) Remuneration of Key Management Personnel

	\$'000	
	2019	2018
Total remuneration of key management personnel		
Short-term benefits	2,249	2,184
Post-employment benefits	67	164
Other long-term benefits	176	51
Total remuneration*	2,492	2,399

* Total remuneration includes salary, bonuses, allowances, superannuation, termination, leave payments and accrued long service leave but excludes accrued annual leave.

	Number	
	2019	2018
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:		
\$30,000 - \$39,999	7	8
\$60,000 - \$69,999	1	-
\$70,000 - \$79,999	1	-
\$80,000 - \$89,999	1	-
100,000 - \$109,999	-	2
\$150,000 - \$159,999	1	-
\$190,000 - \$199,999	1	1
\$220,000 - \$229,999	-	1
\$230,000 - \$239,999	2	-
\$240,000 - \$249,999	1	-
\$250,000 - \$259,999	-	1
\$270,000 - \$279,999	1	2
\$280,000 - \$289,999	1	-
\$290,000 - \$299,999	-	1
\$380,000 - \$389,999	1	-
\$390,000 - \$399,999	-	1
	18	17

d) Senior Officers 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 Officer; or
- b) whose total annual remuneration exceeds \$148,000.

	Number	
	2019	2018
The number of Senior Officers in their relevant income bands:		
\$148,000 - \$149,999	-	4
\$150,000 - \$159,999	6	6
\$160,000 - \$169,999	4	3
\$170,000 - \$179,999	8	3
\$180,000 - \$189,999	5	7
\$190,000 - \$199,999	6	2
\$210,000 - \$219,999	1	1
\$250,000 - \$259,999	1	1
	31	27
	\$'000	
	2019	2018
Total Remuneration* for the reporting year for Senior Officers included above, amounted to		
	5,553	4,687

* Total remuneration includes salary, bonuses, allowances, superannuation, termination, leave payments and accrued long service leave but excludes accrued annual leave.

Total Annual Remuneration under AASB 124 includes termination and annual leave and long service leave balance payouts due to senior staff ceasing employment with the City of Port Phillip during the financial year.

7.2 Related party disclosure**a) Transactions with related parties**

The are no transactions by Council with related parties.

b) Outstanding balances with related parties

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

c) Loans to/from related parties

There are no loans in existence at balance date that have been made, guaranteed or secured by the Council to a related party.

d) Commitments to/from related parties

There are no commitments in existence at balance date that have been made, guaranteed or secured by the Council to a related party.

Note 8 Managing uncertainties

8.1 Contingent assets and liabilities

a) Contingent assets

	\$'000	
	2019	2018
Open space contributions		
Council estimates that assets will pass to Council in the future in respect of anticipated development contributions for open space contributions.	7,124	7,124

Operating lease receivables

Council has entered into leases and licences for some of the property it owns or controls as a Committee of Management for crown land. Properties used for commercial purpose are held under leases which have varying terms. Long term leases usually reflect significant private investment in the buildings on the land. Most leases include an annual rental increase and periodical reviews to market. Council also enters into licence agreements with stallholders at the South Melbourne Market.

	\$'000	
	2019	2018
Future minimum rentals receivables under non-cancellable operating leases are as follows:		
Not later than one year	9,846	9,674
Later than one year and not later than five years	20,904	15,616
Later than five years	51,956	56,567
	82,706	81,857

b) Contingent liabilities

Superannuation

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

Future superannuation contributions

The City of Port Phillip has not had to make any unfunded liability payments to Vision Super during the year (\$ nil for the 2018/19 year). There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2019. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2020 is \$431,431.

Legal matters

The Council is presently involved in a number of confidential legal matters which are being conducted through Council's solicitors. These matters are yet to be finalised and the financial outcome cannot be determined.

Infringements Review

Council is currently party to an Ombudsman Victoria review in relation to infringements. Council is participating fully and openly. The impact on Council from this review is uncertain.

8.2 Changes in accounting standards

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

Revenue from contracts with customers (AASB 15) (applies 2019/20 for LG sector)

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

Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities (AASB 2016-7) (applies 2019/20)

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

Leases (AASB 16) (applies 2019/20)

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

Council has elected to adopt the modified retrospective approach to the transition to the new lease standard. This will mean that only existing operating leases for non low value assets, with remaining terms greater than 12 months, will be recognised on transition (1 July 2019). Based on our current lease commitments and an assumption of a continuation of the current leasing arrangements Council expects that the transition to the new standard will see the initial recognition of \$290,710 in lease related assets and an equivalent liability.

Income of Not-for-Profit Entities (AASB 1058) (applies 2019/20)

This standard replaces AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable to not-for-profit entity to further its objectives. A preliminary assessment has determined that the impact will not be material.

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 Council's financial instruments will fluctuate because of changes in market prices. The Council's exposures to market risk is primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council's interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes us to fair value interest rate risk. 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. Council manages interest rate risk by adopting an investment policy that ensures:

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

There has been no significant change in 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. Council have exposure to credit risk on some financial assets included in our balance sheet. To help manage this risk:

- Council have a policy for establishing credit limits for the entities we deal with
- Council may require collateral where appropriate
- 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(b).

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

d) Liquidity risk

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

To help reduce these risks Council:

- have readily accessible standby facilities and other funding arrangements in place
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments
- monitor budget to actual performance on a regular basis
- 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 amount of financial liabilities as disclosed in the face of the balance sheet and the amount is related to financial guarantees, and is deemed insignificant based on prior periods data and current assessment of risk.

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

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

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

e) Sensitivity disclosure analysis

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

- A parallel shift of +0.25 per cent and -1.00 per cent in market interest rates (AUD) from year-end rates of 2.65 per cent.

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

8.4 Fair value measurement

Fair value hierarchy

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

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

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

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

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

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

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

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

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

Revaluation

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

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

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

Impairment of assets

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

8.5 Events occurring after balance date

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

Note 9 Other matters

9.1 Reserves

a) Asset revaluation reserves

	\$'000		
	Balance at beginning of reporting period	Increment (decrement)	Balance at end of reporting period
2019			
Property			
Land and land improvements	2,248,394	(32,346)	2,216,048
Buildings	78,413	15,761	94,174
	2,326,807	(16,585)	2,310,222
Infrastructure			
Roads	70,741	62,886	133,627
Bridges	825	117	942
Footpaths and cycleways	27,881	(3,435)	24,446
Drainage	33,144	-	33,144
Parks, open spaces and streetscapes	16,816	-	16,816
Off street carparks	3,862	1,141	5,003
Other infrastructure	6,342	257	6,599
	159,611	60,966	220,577
Plant and equipment			
Heritage plant and equipment	10,386	3,891	14,277
	10,386	3,891	14,277
Total Asset revaluation reserves	2,496,804	48,272	2,545,076

The asset revaluation reserve is used to record the movements in fair value of Council's assets over time.

	\$'000		
	Balance at beginning of reporting period	Increment (decrement)	Balance at end of reporting period
2018			
Property			
Land	2,008,849	239,545	2,248,394
Buildings	78,413	-	78,413
	2,087,262	239,545	2,326,807
Infrastructure			
Roads	70,741	-	70,741
Bridges	825	-	825
Footpaths and cycleways	27,881	-	27,881
Drainage	33,144	-	33,144
Parks, open spaces and streetscapes	11,218	5,598	16,816
Off street carpark	3,862	-	3,862
Other infrastructure	6,342	-	6,342
	154,013	5,598	159,611
Plant and equipment			
Heritage plant and equipment	10,386	-	10,386
	10,386	-	10,386
Total Asset revaluation reserves	2,251,661	245,143	2,496,804

The asset revaluation reserve is used to record the movements in fair value of Council's assets over time.

b) Other reserves

	\$'000			
	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
2019				
General reserve	37,418	18,818	(15,925)	40,311
Statutory reserves				
Resort and recreation reserve	18,226	6,456	(4,164)	20,518
Contributions for carparking reserve	1,791	-	-	1,791
Contribution for C13 infrastructure reserve	213	-	-	213
	20,230	6,456	(4,164)	22,522
Total other reserves	57,648	25,274	(20,089)	62,833
2018				
General reserve	30,922	23,546	(17,050)	37,418
Statutory reserves				
Resort and recreation reserve	12,151	8,013	(1,938)	18,226
Contributions for carparking reserve	1,791	-	-	1,791
Contribution for C13 infrastructure reserve	163	50	-	213
	14,105	8,063	(1,938)	20,230
Total other reserves	45,027	31,609	(18,988)	57,648
				\$'000
		2019	2018	
Asset revaluation reserve		2,545,076	2,496,804	
Other reserves		62,833	57,648	
Total reserves		2,607,909	2,554,452	

General reserve

The general reserve comprises allocations made by the council for the purpose of funding major medium term expenditure initiatives and future commitments that relate to the unexpended portion of government grants received.

Resort and recreation reserve

The resort and recreation reserve is for the accumulation of developer contributions which are to be expended at a future date on recreational infrastructure.

Contributions for carparking reserve

The car parking reserve is for the accumulation of developers contributions which are to be expended at a future date on improved car parking facilities.

Contributions for C13 infrastructure reserve

The C13 infrastructure reserve is for the accumulation of developers contributions which are to be expended at a future date on specific infrastructure. See note 5.7 for further information.

9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)

	\$'000	
	2019	2018
Surplus/(deficit) for the year	7,148	7,170
Depreciation/amortisation	25,740	23,417
(Profit)/loss on disposal of property, infrastructure, plant and equipment	5,424	6,437
Contributions - non-monetary assets	(243)	(222)
Other	745	995
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(2,257)	(2,376)
(Increase)/decrease in prepayments	18	(1,103)
(Increase)/decrease in accrued income	(679)	(269)
Increase/(decrease) in trade and other payables	(67)	1,269
(Decrease)/increase in other liabilities	1,578	640
Increase/(decrease) in provisions	(427)	(1,977)
Net cash provided by operating activities	36,980	33,981

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 are recognised as an expense in Comprehensive Operating Statement when they are made or due.

Accumulation

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

Defined Benefit

Council does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan. Council makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary.

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Council in the Fund cannot be measured as

a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Funding arrangements

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

As at 30 June 2018, a interim actuarial investigation was completed. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 106 per cent. To determine the VBI, the Fund Actuary used the following long-term assumptions:

- Net investment returns
6 per cent pa
- Salary inflation
3.5 per cent pa
- Price inflation (CPI)
2 per cent pa.

Vision Super has reported that the estimated VBI at 30 June 2019 was 107.1 per cent. The VBI is to be used as the primary funding indicator. Because the VBI was above 100 per cent, the 30 June 2018 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Employer contributions

- Regular contributions

On the basis of the results of the 2018 interim actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2019, this rate was 9.5 per cent of members salaries (9.5 per cent in 2017/2018). This rate will increase in line with any increases in the SG contribution rate.

In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

- 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 a set shortfall limit at 97 per cent.

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

2018 interim actuarial investigation surplus amounts

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

- A VBI surplus of \$131.9 million
- A total service liability surplus of \$218.3 million
- A discounted accrued benefits surplus of \$249.1 million.

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

2018 interim actuarial investigation

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

	\$'000	
	2018	2017
The Fund’s actuarial investigations identified the following in the defined benefit category of which Council is a contributing employer:		
A VBI surplus	131.9	69.8
A total service liability surplus	218.3	193.5
A discounted accrued benefits surplus	249.1	228.8

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

Glossary

Item	Explanation
Accrual accounting	System of accounting where items are brought to account and included in the Financial Statements as they are earned or incurred, rather than as they are received or paid.
Accumulated surplus	The value of all net assets accumulated over time.
AIFRS	Australian equivalents to International Financial Reporting Standards.
Asset expansion expenditure	Expenditure that extends the capacity of an existing asset to provide benefits to new users at the same standard as is provided to beneficiaries.
Asset renewal expenditure	Expenditure on an existing asset or on replacing an existing asset that returns the service capability of the asset to its original capability.
Asset upgrade expenditure	Expenditure that: <ul style="list-style-type: none"> a) enhances an existing asset to provide a higher level of service or b) increases the life of the asset beyond its original life.
Assets	Future economic benefits controlled by Council as a result of past transactions or other past events.
Bad and doubtful debts	Bad debts written off and the movement in the bad debt provision for infringement debtors and sundry debtors.
Balance sheet	A quantitative summary of Council's financial condition at 30 June, including assets, liabilities and net equity.
Borrowing costs	Interest paid on borrowings.
Capital expenditure	Capital expenditure is relatively large (material) expenditure that produces economic benefits expected to last for more than 12 months. A pre-determined 'threshold' may be used which indicates the level of expenditure deemed to be material in accordance with Council's policy. Capital expenditure includes renewal, expansion and upgrade. Where capital projects involve a combination of renewal, expansion and upgrade expenditures, the total project cost needs to be allocated accordingly.
Cash and cash equivalents	Cash and investments readily convertible to cash, including cash on hand, cash held in the bank, deposits at call and highly liquid investments.
Contributions	Contributions received by Council are received for the purpose of providing and improving public open space, provision/improvement of the drainage system and in relation to specific projects.
Comprehensive Income Statement	A financial statement highlighting the accounting surplus or deficit which highlights whether Council has sufficient revenue to meet expenses in the current year, including non-cash costs such as depreciation expenditure. It also includes other comprehensive income items including net asset revaluation increment (decrement reversal) and share of other comprehensive income of associates and joint ventures accounted for by the equity method, to arrive at a 'comprehensive result'. The comprehensive result equates to the movement in net assets or total equity.
Current assets	Assets where Council expects to receive the future economic benefit within the next 12 months unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.
Current liabilities	Liabilities where Council expects to fulfil its obligation within the next 12 months unless the Council does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date.
Depreciation	An expense which recognises the value of a fixed asset as it is used up over time.

Item	Explanation
Employee benefits	Relates to wages and salaries, casual staff payments, annual leave, long service leave, superannuation, fringe benefits tax, WorkCover and redundancy payments.
Equity	The residual interest in the assets of Council after deduction of its liabilities, which is made up of accumulated surplus and reserves. Total equity is also equal to net assets.
Expense	An outgoing payment made by Council.
Financing activities	Financing activities means those activities which relate to changing the size and composition of the financial structure of the entity, including equity and borrowings not falling within the definition of cash.
Fixed assets	See Property, infrastructure, plant and equipment.
Grants - non-recurrent	Grant income received for a 'one off' specific purpose, generally for a particular project.
Grants - recurrent	Grant income received on a regular basis (i.e. quarterly, annually) and granted to Council by another entity for specific or general purposes.
Income	Income is the amount of money that Council actually receives from its activities, mostly from rates and services provided to customers and ratepayers.
Infrastructure	Non-current property, plant and equipment excluding land.
Interest	Includes interest earned on all cash and investment balances, interest earned on rates and unrealised gains on managed fund investments.
Interest bearing loans and borrowings	Council's borrowings.
Investing activities	Investing activities means those activities which relate to acquisition and disposal of non-current assets, including property, plant and equipment and other productive assets, and investments not falling within the definition of cash.
Liabilities	Future sacrifices of economic benefits that Council is presently obliged to make to other entities as a result of past transactions or other past events.
Materials and administrative costs	Expenditure incurred in relation to building maintenance, general maintenance, plant and equipment maintenance, office and administration, insurance, registration and Metropolitan Fire Brigade levy, financial and legal costs and information technology costs.
Changes in equity for the period	The net movement in the net surplus (deficit) and asset revaluation increments (decrements). This is also equal to the change in net assets.
Net asset revaluation increment (decrement)	This represents the increase (decrease) between the old valuation and new valuation of property and infrastructure asset classes, which were re-valued during the year.
Net assets	The difference between total assets and total liabilities, which represents Council's net worth. Net assets are also equal to total equity.
Net gain (loss) on disposal of property, plant and equipment, infrastructure	The net of income received in relation to the sale of assets and the carrying amount of assets sold, replaced or disposed of during the year.
New asset expenditure	Expenditure that creates a new asset that provides a service that does not currently exist.

Item	Explanation
Non-current assets	Assets where the future economic benefit is not expected to be received within the next 12 months or where the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.
Non-current assets classified as held for sale	Non-current assets that Council intends to sell within the next 12 months.
Non-recurrent grants	Means a grant obtained on the condition that it is expended in a specified manner and is not expected to be received again during the period covered by a Council's Strategic Resource Plan.
Non-current liabilities	Liabilities where the obligation is not expected to be fulfilled within the next 12 months or where Council has a right to defer settlement of the liability for at least 12 months after reporting date.
Other expenses	Includes auditors' remuneration, Councillors' allowances, operating lease rentals, impairment losses, community grants and contributions, training and professional development expenditure, contract settlement expenditure and expenditure incurred in relation to special rate schemes.
Other income	Income received from donations, insurance recoveries, craft markets, festivals, local laws, right-of-way sales, transport and other sources.
Prepayments	Payments made by Council in advance of receiving the goods or services.
Property, infrastructure, plant and equipment	Often referred to as Fixed Assets. This is the largest component of Council's asset base or worth. This represents the value of all land, buildings, roads, footpaths, drains, bridges, vehicles, plant and equipment and so on, which are recorded on Council's asset register.
Provisions	Includes accrued long-service leave, annual leave, sick leave and rostered days off owing to employees at reporting date.
Rate and charges	Income received from ratepayers in relation to general rates, garbage rates and special rate schemes.
Recurrent grant	A grant other than a non-recurrent grant.
Reserves	Includes the asset revaluation reserve which includes the net revaluation increments and decrements arising from the revaluation of fixed assets in accordance with AASB 1041 'Revaluation of Non-Current Assets'. Other reserves include statutory reserves such as resort and recreation and carpark and general reserves where money is held in reserve for specific projects.
Restricted cash	Cash and cash equivalents, within the meaning of AAS, that are not available for use other than a purpose for which it is restricted, and includes cash to be used to fund capital works expenditure from the previous financial year.
Right-of-way	Former laneway no longer required for access to surrounding properties.
Share of net profits (losses) of associates and joint ventures	Council's share of the net profit/loss recognised in its joint venture partnerships.
Statement of capital works	Means a statement which shows all capital expenditure of a council in relation to non-current assets and asset expenditure type.

Item	Explanation
Statement of cash flows	The statement of cash flows shows the net cash inflows and outflows in the forthcoming year in the form of a reconciliation between the opening and closing balances of total cash and investments for the year. The cash flow statement should be prepared in accordance with the requirements of AASB 107 Statement of Cash Flows.
Statement of changes in equity	The statement of changes in equity shows the movement in Accumulated Surplus and reserves for the year. The net movement in the net surplus (deficit) and asset revaluation increments (decrements). This is also equal to the change in net assets.
Statutory fees and fines	Includes parking infringements and costs, PERIN court recoveries, town planning fees, land information certificates and trader parking and street furniture permits.
Statutory reserves	Statutory reserves are funds set aside for specified statutory purposes in accordance with various legislative requirements. These reserves are not available for other purposes.
Strategic Resource Plan	Means the Strategic Resource Plan prepared by Council under Section 126 of the Act.
Surplus (deficit)	Represents the difference between total revenues, expenses, net gain (loss) on disposal of property, plant and equipment, infrastructure and share of net profits (losses) of associates and joint ventures accounted for by the equity method.
Trade and other payables	Monies owed by Council to other entities/individuals.
Trade and other receivables	Monies owed to Council by ratepayers and other parties less provisions for doubtful debts.
Trust funds and deposits	Monies received by Council for a specific purpose, which are to be refunded upon a specific event occurring (e.g. Council assets are not damaged). If that specific event does not occur, Council is entitled to recognise these monies as income.
Unrestricted cash	Unrestricted cash represents all cash and cash equivalents other than restricted cash.
User fees	Income received by Council from a variety of fees and charges such as aged and health services fees, animal and local law fines and registrations, building permits and other charges, child care/children's program fees, debt collection recovery charges, debt collection recovery charges, election fines, recreation fees, library fines and other charges and tow-away charges.

Performance statement

For the year ended 30 June 2019

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

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

The Performance Statement presents the actual results for the current year, the prescribed financial performance indicators and measures and 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. Explanations are provided where the previous results are outside a 10 per cent materiality threshold.

The forecast figures included in the Performance Statement are those adopted by Council in its Strategic Resource Plan on 19 June 2019 and forms part of the Council Plan 2017-27. The Strategic Resource Plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The Strategic Resource Plan can be obtained from the Council website at portphillip.vic.gov.au

About the City of Port Phillip

The City of Port Phillip is located south of Melbourne's city centre on the northern shore of Port Phillip Bay. The foreshore stretches over 11 kilometres. A network of public open spaces makes the City a desirable place for residents and visitors to enjoy. Significant employment areas within Port Phillip include the St Kilda Road office district, and the industrial, warehousing and manufacturing districts in South Melbourne, Port Melbourne and Fishermans Bend.

The City of Port Phillip is one of the smallest and most densely populated municipalities in Victoria, covering an area of 20.6 kilometres and being home to 113,200 people. Our population will continue to grow with Fishermans Bend expecting to be home to around 80,000 residents and provide jobs for 40,000 over the next four decades.

Sustainable capacity indicators

For the year ended 30 June 2019

Service / indicator / measure					Result
	2015	2016	2017	2018	2019
Population					
Expenses per head of municipal population [Total expenses / Municipal population]	\$1,701.51	\$1,737.12	\$1,818.52	\$1,960.69	\$1,977.99
Infrastructure per head of municipal population [Value of infrastructure / Municipal population]	\$5,516.95	\$5,528.54	\$5,739.61	\$5,659.57	\$6,287.75
Material variation explanation					
This result is driven by the increase in infrastructure asset valuations as well as capital expenditure.					
Population density per length of road [Municipal population / Kilometres of local roads]	388.32	396.77	401.75	416.59	425.56
Own-source revenue					
Own-source revenue per head of municipal population [Own-source revenue / Municipal population]	\$1,573.38	\$1,668.41	\$1,730.46	\$1,785.99	\$1,805.92
Recurrent grants					
Recurrent grants per head of municipal population [Recurrent grants / Municipal population]	\$111.46	\$85.52	\$110.68	\$100.75	\$97.92
Disadvantage					
Relative Socio-Economic Disadvantage [Index of Relative Socio-Economic Disadvantage by decile]	10.00	10.00	10.00	10.00	10.00

Definitions

"adjusted underlying revenue" means total income other than:

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

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

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

"population" means the resident population estimated by Council

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

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

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

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

Service performance indicators

For the year ended 30 June 2019

Service / indicator / measure	2015	2016	2017	2018	Result 2019
Animal Management					
Health and safety	4	5	2	6	6
Animal management prosecutions [Number of successful animal management prosecutions]					
Material variation explanation					
Council officers resolve animal related issues in a consistent proactive approach with those involved resulting in less cases prosecuted and remaining under our target of less than 10.					
Food Safety					
Health and safety	95.55 %	99.11 %	99.28 %	100.00 %	100.00 %
Critical and major non-compliance outcome notifications [Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises] x100					
Material variation explanation					
Strong work continues in the area of critical and major non-compliance notifications followed up on time meeting our target of 100 per cent.					
Governance					
Satisfaction	60	59	57	57	59
Satisfaction with Council decisions [Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]					
Material variation explanation					
The result indicates an increase from the previous years' reflecting strong consultation and engagement opportunities with the community to ensure Council decisions are informed by the community's views.					
Home and Community Care (HACC)					
Participation	22.22 %	20.2 %	Reporting ceased 1 July 2016	Reporting ceased 1 July 2016	Reporting ceased 1 July 2016
Participation in HACC service [Number of people that received a HACC service / Municipal target population for HACC services] x100					
Material variation explanation					
Reporting on HACC ceased on 1 July 2016 due to the introduction of the Commonwealth Government's NDIS and CHSP programs					
Participation	16.79 %	14.7 %	Reporting ceased 1 July 2016	Reporting ceased 1 July 2016	Reporting ceased 1 July 2016
Participation in HACC service by CALD people [Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x100					
Material variation explanation					
Reporting on HACC ceased on 1 July 2016 due to the introduction of the Commonwealth Government's NDIS and CHSP programs.					

Service / indicator / measure	2015	2016	2017	2018	Result 2019
Libraries					
Participation	20.14 %	19.4 %	19.21 %	20.39 %	18.63 %
Active library members					
[Number of active library members / Municipal population] x100					
Material variation explanation					
The number of active library members has decreased by 1,429 from 2017/18. The decreasing trend in participation reflects the emergence of online materials.					
Maternal and Child Health (MCH)					
Participation	83.55 %	84.20 %	82.89 %	84.80 %	74.28 %
Participation in the MCH service					
[Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100					
Material variation explanation					
The transition to the new state-wide Child Development Information System (CDIS) for the full 2018/19 year resulted in more accurate data, reduced duplication and targeted appointment reminders which has improved data related to participation.					
Participation	69.05 %	87.2 %	84.48 %	94.74 %	80.00 %
Participation in the MCH service by Aboriginal children					
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					
Material variation explanation					
The transition to the new state-wide Child Development Information System (CDIS) for the full 2018/19 year has resulted in more accurate data. Continued efforts and being culturally responsive by MCH staff has continued to maintain attendance by children of Aboriginal descent at a consistent rate.					
Roads					
Satisfaction	73	70	70	67	68
Satisfaction with sealed local roads					
[Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]					
Material variation explanation					
A significant amount of resealing roads has been undertaken increasing the result to 68 one point higher from the previous year and in line with other metropolitan Councils.					
Statutory Planning					
Decision making	73.08 %	70.91 %	70.00 %	61.04 %	72.22 %
Council planning decisions upheld at VCAT					
[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					
Material variation explanation					
The overall result has increased, however when we include mediated and withdrawn outcome, Council decisions upheld at VCAT is 87 per cent.					
Waste Collection					
Waste diversion	34.5 %	34.1 %	32.94 %	31.71 %	29.18 %
Kerbside collection waste diverted from landfill					
[Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100					
Material variation explanation					
The diversion of recyclables to landfill in 2019 caused a drop in the overall result. Council maintains a strong focus on reducing the amount of waste going to landfill. The Don't Waste It! Waste Management Strategy will provide the blueprint for how Council and the community work together to create a more sustainable future for Port Phillip and the way waste, recyclables and organics is managed moving forward.					

Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"population" means the resident population estimated by council

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

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

Financial performance indicators

For the year ended 30 June 2019

Service / indicator / measure					Result	Forecast				
	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Efficiency										
Revenue level	\$1,359.31	\$1,434.05	\$1,429.76	\$1,502.47	\$1,544.17	\$1,583.07	\$1,621.27	\$1,661.01	\$1,701.01	
Average residential rate per residential property assessment										
[Residential rate revenue / Number of residential property assessments]										
Expenditure level	\$2,623.49	\$2,619.67	\$2,798.66	\$3,006.31	\$3,072.16	\$3,013.82	\$2,978.23	\$2,952.00	\$3,002.31	
Expenses per property assessment										
[Total expenses / Number of property assessments]										
Workforce turnover	9.95 %	10.43 %	10.00 %	11.75 %	18.04 %	10.05 %	10.01 %	10.02 %	10.07 %	
Resignations and terminations compared to average staff										
[Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100										

Material variation explanation

Staff turnover has increased compared to previous years. One of the key reasons is that Melbourne has a very competitive labour market and City of Port Phillip staff are well regarded in their profession which makes them well placed for roles elsewhere.

There was also a range of planned organisational change that occurred throughout the year, with one of the most significant being in our digital area as a result of our CX program. We are currently finalising a People and Culture strategy which outlines how we plan to invest in our people and support them to operate at the best of their ability and attract and retain talent. This will be a key focus in the 2019/20 financial year.

Liquidity

Working capital	220.88 %	243.22 %	231.65 %	265.45 %	267.53 %	167.29 %	142.91 %	173.53 %	182.34 %	
Current assets compared to current liabilities										
[Current assets / Current liabilities] x100										
Unrestricted cash	15.35 %	-10.44 %	-41.14 %	-50.19 %	-85.93 %	36.61 %	35.73 %	50.66 %	66.91 %	
Unrestricted cash compared to current liabilities										
[Unrestricted cash / Current liabilities] x100										

Material variation explanation

Councils unrestricted cash ratio has decreased to -85.93 due to funds being placed in long term investments, including current financial assets. This has seen Council achieve optimal investment returns as a result of strong cash management. Council has \$86.26 million of cash and other financial assets (investments), \$30.82 million of which is restricted, placing Council in a strong position to meet its financial obligations, as reflected in the working capital ratio. In future years Council expect this ratio to improve as more funds are held in shorter termed investments, and current liabilities decrease.

Service / indicator / measure					Result	Forecast			
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Stability									
Rates concentration	60.23 %	61.21 %	58.67 %	57.51 %	57.56 %	59.14 %	59.62 %	60.23 %	60.54 %
Rates compared to adjusted underlying revenue									
[Rate revenue / Adjusted underlying revenue] x100									
Rates effort	0.22 %	0.23 %	0.20 %	0.20 %	0.18 %	0.17 %	0.16 %	0.15 %	0.15 %
Rates compared to property values									
[Rate revenue / Capital improved value of rateable properties in the municipality] x100									

Material variation explanation

This result has shifted marginally as a result of the impact of significant increases in property values in certain areas of the municipality. This is expected to shift in future years as result of the 2019/20 valuation seeing a decline in values and an increase in the rate in the dollar.

Definitions

"adjusted underlying revenue" means total income other than:

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

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

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

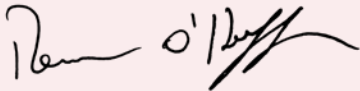
"current assets" has the same meaning as in the AAS (Australian Accounting Standards)

"current liabilities" has the same meaning as in the AAS (Australian Accounting Standards)

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

Certification of the performance statement

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



Dennis O'Keeffe CA
Principal Accounting Officer


11 September 2019
St Kilda

In our opinion, the accompanying performance statement of the City of Port Phillip for the year ended 30 June 2019 presents fairly the results of Council's performance in accordance with the **Local Government Act 1989**, 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.



Councillor Dick Gross
Mayor and Councillor
City of Port Phillip

11 September 2019
St Kilda



Louise Crawford
Deputy Mayor and Councillor

11 September 2019
St Kilda



Peter Smith
Chief Executive Officer

11 September 2019
St Kilda

Index

A

About the City of Port Phillip	8-10
Accountability	62-63
Acland Street	123, 192
Act and Adapt - Sustainable Environment Strategy 2018-28	97-101
Advisory committees	62-63
Affordable housing	36, 54, 56, 70-72, 74, 76, 107, 150, 208
Animal management - performance measures	114, 247
Art and Soul - Creative and Prosperous City Strategy 2018-21	123-125
A snapshot of our year	21-25
Asset management	134-145
Audit and Risk Committee	52, 62-64, 175
Awards	31

B

Best value report	167
-------------------	-----

C

Carers Recognition Act	162
CEO	14, 149-150
Challenges our City faces	16, 89, 99, 103, 106, 125
Community engagement	19, 47, 58-60, 106, 108, 124, 126-127
Contact details	256
Contracts	161, 205, 214, 230
Committees	52-55, 169, 171
Council meetings (dates and location)	43, 45, 50, 132, 148, 171
Councillors	48-51, 171-171, 183, 226-22

D

Delivering on our 2027 vision	19
Disability Act	163
Domestic Animal Management Plan	161
Don't Waste It! - Waste Management Strategy 2018-28	102-104

E

Engagement	19, 24, 43, 45, 58-60, 82, 86, 99, 103, 108, 120-132, 164, 168
Energy efficiency	90, 93, 97, 99-100, 136, 138
External committees	52-54

F

Ferrars Street Education and Community Precinct	75, 108-109
Financial performance overview	37-41
Financial report	173-253
Financial statements	179-243
Fishermans Bend	10, 13, 14, 16, 18, 22-23, 33, 39, 41, 52-53, 57, 62, 98, 103, 107
Food safety - performance measures	28, 113, 247
Freedom of Information Act	159-160

G

Gasworks Arts Park	49, 53, 106, 109, 119, 121, 124
Governance	43-65
Governance - performance measures	132

I

Inner Melbourne Action Plan (IMAP)	56
------------------------------------	----

L

Libraries	36, 102, 122, 201
Libraries - performance measures	248
Life saving clubs	34, 73-74, 141, 192, 195, 208
Local government performance reporting framework	19, 68, 77, 84, 88, 96, 105, 112-113, 122, 126, 131-132

M

Major initiatives	68, 72, 82, 89, 92, 108, 118, 128
Maternal and child health - performance measures	77-78, 201, 248-249
Mayor's welcome	12-13
Move, Connect, Live - Integrated Transport Strategy 2018-28	86-87

N

Neighbourhoods	32-35
----------------	-------

O

Organisational structure	147, 149
Our commitment to you	126-133
Our 2027 focus	18-19
Our performance at a glance	26-30

P

Partnerships	57
Performance	68-145
Performance statement	62, 170, 173, 175, 178, 184, 206, 244-253
Planning and delivery framework	19, 36, 41, 75, 124, 168
Port Phillip City Council	46
Privacy and Data Protection Act	159-160
Protected Disclosure Act	160
Public documents	159, 171

R

Risk management	64-65
Roads - performance measures	84, 130, 143-144, 189, 194-195, 248

S

Services (and what they cost)	77, 84, 96, 112-114, 122, 132
Solar	13, 89-90, 97-100, 136
South Melbourne Life Saving Club	34, 73-74, 141, 192, 194, 208
South Melbourne Market	13, 23-24, 34, 49, 55, 62, 86, 97, 99-100, 117, 119, 121, 131, 136
Staff profile	153
Statutory planning - performance measures	248
Statutory statements	159-171

T

10 year focus	14, 18, 40, 71, 81, 90, 92, 135, 143, 168
---------------	---

U

Understanding the financial report	173, 175-178
------------------------------------	--------------

V

Vision	2
Volunteers	57

W

Waste collection - performance measures	90, 95-96, 102-103, 248
We are connected and it's easy to move around	80-87
We are growing and keeping our character	105-115
We embrace difference and people belong	70-79
We have smart solutions for a sustainable future	88-104
We thrive by harnessing creativity	116-125
What you got for \$100	36
What happened in your local neighbourhood	32-35
Working for our community	147-157

Y

Year in review	22-25
----------------	-------



📧 portphillip.vic.gov.au

☎ ASSIST 03 9209 6777

Contact your Councillors

Canal Ward

Councillor Tim Baxter

✉ Tim.Baxter@
portphillip.vic.gov.au
☎ 0466 495 250

Councillor Louise Crawford
(Deputy Mayor)

✉ Louise.Crawford@
portphillip.vic.gov.au
☎ 0466 514 643

Councillor Dick Gross
(Mayor)

✉ Dick.Gross@
portphillip.vic.gov.au
☎ 0466 355 640

Gateway Ward

Councillor Marcus Pearl

✉ Marcus.Pearl@
portphillip.vic.gov.au
☎ 0466 448 272

Councillor Ogy Simic

✉ Ogy.Simic@
portphillip.vic.gov.au
☎ 0466 517 360

Councillor Bernadene Voss

✉ Bernadene.Voss@
portphillip.vic.gov.au
☎ 0413 246 704

Lake Ward

Councillor Andrew Bond

✉ Andrew.Bond@
portphillip.vic.gov.au
☎ 0481 034 028

Councillor David Brand

✉ David.Brand@
portphillip.vic.gov.au
☎ 0466 445 807

Councillor Katherine Copsey

✉ Katherine.Copsey@
portphillip.vic.gov.au
☎ 0466 478 949